

# Is Corporate Aid Targeted to Poor and Deserving Countries? A Case Study of Nestlé's Aid Allocation<sup>1</sup>

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## Abstract

Empirical evidence on the targeting of private aid is largely lacking, even though corporate donors are an increasingly important source of aid. We contribute to closing this gap by performing a case study of Nestlé. The allocation of Nestlé's aid is compared to that of Swiss ODA and NGO aid, testing for both altruistic and selfish aid motivations. We conclude that Nestlé's aid clearly lacks focus in terms of targeting poor countries, which appears to be the downside of the strong link between commercial presence and aid. Moreover, according to our Tobit estimations, Nestlé grants more aid to recipient countries with stronger democratic but also more corrupt institutions.

Keywords: aid allocation, private aid, corporate social responsibility, official development assistance, NGO aid, Nestlé

JEL classification: F35, M14

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## 1 Introduction

New sources of foreign aid, particularly the financial engagement of multinational companies in international development cooperation, were highly welcomed, for instance, at the United Nations Conference on Financing for Development in Monterrey, Mexico, in 2002 and by the World Bank (2006). Stepping up aid efforts figures prominently on the international policy agenda. Scholars continue to disagree on the effectiveness of aid in general, leave alone the question of whether private aid from multinational companies could be more effective than official development assistance (ODA). However, the proponents and skeptics of substantially increased aid efforts tend to agree that the misallocation of aid resources and the lack of donor coordination have rendered international development cooperation less effective than it could have been. According to the World Bank (1998), a better targeting of aid to the needy and deserving is a necessary, though not sufficient, condition for aid to help recipient countries escape the poverty trap.

Against this backdrop, we assess the targeting of corporate aid, compared to that of ODA and aid from non-governmental organizations (NGOs). Recent research on official donors and NGOs suggests some basic criteria for an efficient allocation of aid. Accordingly, donors are required to focus their aid on particularly poor recipient countries which, at the same time, have some basic institutional conditions in place for aid to be used productively (e.g., Burnside and Dollar 2000; Collier and Dollar 2001). Moreover, aid should not be used as a means to pursue the donors' own economic or political interests. Aid efforts should also be coordinated in order to avoid duplication ("aid darlings") and neglect ("aid orphans").

Various studies reveal that official donors fulfill these criteria at best partially. The allocation of ODA across recipient countries is documented in great detail (<http://www.oecd.org/dataoecd/50/17/5037721.htm>). In sharp contrast, very little is known about the allocation of private aid. In particular, we are not aware of any systematic analysis of the aid efforts of private companies, many of which have committed themselves to the objectives of the UN Global Compact (<http://www.unglobalcompact.org/AboutTheGC/index.html>) and are an increasingly important source of aid.<sup>3</sup> This invites the question of whether corporate aid, by "having passed the crucial 'market test'" (Adelman 2003), mitigates the misallocation of aid, or is targeted even less well than ODA – thereby, possibly, complicating the coordination among donors.

The present paper contributes to closing this gap by assessing the allocation of aid by Swiss-based Nestlé SA, the world's largest food and beverages company. According to UNCTAD's index of transnationality, Nestlé ranks sixth among the top 100 non-financial

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<sup>3</sup> Nestlé S.A. has been a participant of the UN Global Compact since 2001.

multinationals (UNCTAD 2007: 229).<sup>4</sup> Companies of the Nestlé Group are spread across 107 countries (Nestlé 2007). At the same time, Kolk and van Tulder (2006) list Nestlé as one of the frontrunners in the corporate sector being actively involved in international development cooperation. It fits into this picture that Nestlé provided financial support to local community projects in about 70 countries in 2007 (Section 3). Overall project financing in various fields, including in developed OECD countries, amounted to about US\$ 55 million in 2007.<sup>5</sup> This may appear marginal compared to about US\$ 1.4 billion of bilateral Swiss ODA in 2005 (OECD 2007: table 13). Per head of Nestlé's worldwide employment (265,000 in 2006), however, its aid of slightly more than US\$ 200 is very close to ODA in the order of US\$ 190 per head of Swiss population.<sup>6</sup>

While other companies and private foundations report still higher donations (Section 2), Nestlé stands out with respect to the richness and detail of data offered for assessing the allocation of aid by private companies. As detailed in Section 3, Nestlé kindly provided us with project-specific financial contributions in 2007 across a large number of recipient countries. Most of the projects supported by Nestlé are related to specific Millennium Development Goals (MDGs) the project is meant to help achieve. The data render it possible to perform econometric estimations, as described in Section 4, in order to identify the major determinants of Nestlé's aid allocation.

Our findings are in some conflict with the view that private companies provide well targeted aid (Section 5). Recipient need does not seem to play a decisive role in the selection of countries and the amount of aid disbursed to them. This appears to be the downside of the strong links between Nestlé's commercial presence and its aid in both stages of the aid allocation process. According to our Tobit estimations, Nestlé favors more democratic countries when allocating aid – in contrast to many public and private non-profit donors. At the same time, however, the estimations reveal that Nestlé gives more aid to more corrupt countries. These major findings prove to be fairly robust. The concluding section argues that the policy implications of our findings on Nestlé would extend well beyond corporate aid allocation, calling for donor coordination involving both public and private actors. We also discuss possible ways to overcome the obvious limitations of the present case study.

## **2 Why Private Aid May (Not) Be Superior to ODA**

Development aid by so-called private voluntary agencies based in the member countries of the OECD's Development Assistance Committee (DAC) amounted to almost US\$15

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4 The index of transnationality is calculated using the average of the shares of a company's assets, sales and employment located abroad.

5 This figure does not include about US\$ 3.3 million spent on community projects in Nestlé's home country Switzerland.

6 Nestlé's aid accounted for about 0.5 percent of Nestlé Group earnings before interest and taxes (EBIT of US\$ 10.6 billion in 2006).

billion in 2005, thus exceeding bilateral ODA from every individual DAC country except for the United States (OECD 2007: table 13). Apart from adding to overall aid resources, private donors may help alleviate worldwide poverty alleviation by providing better targeted and more effective aid than official donors. We focus on the allocation of aid, rather than its effectiveness. Well targeted aid is widely perceived to be a necessary, though not sufficient, condition for aid to be effective.<sup>7</sup> Since the late 1990s, some basic criteria for an efficient allocation of ODA have been suggested in the relevant literature. Most notably, the highly influential World Bank (1998) study “Assessing Aid” required donors to focus aid on the needy and deserving, i.e., particularly poor recipient countries with reasonable institutions and economic policies in place for aid to be used productively. Moreover, it is almost universally accepted by now that donors should behave altruistically, rather than using aid as a means to pursue economic or political self-interest, and coordinate their efforts to prevent the misallocation of aid (e.g., Berthélemy 2006).

At the same time, the recent empirical literature reveals that the allocation of ODA still suffers from several shortcomings.<sup>8</sup> Various studies argue that the targeting of ODA to needy recipient countries with reasonably good local conditions is far from perfect (Burnside and Dollar 2000; Collier and Dollar 2002).<sup>9</sup> Most of ODA is transferred to self-interested and often corrupt governments, giving rise to embezzlement and leakages.<sup>10</sup> The needs-based allocation of ODA continues to be distorted by selfish donor motives. Alesina and Dollar (2000) found that bilateral ODA was dictated as much by political and strategic motives of donors as by need and local conditions in recipient countries. More recently, Berthélemy (2006) still labeled various donors to be “egoistic”, rather than altruistic. Some official donors tend to use aid to promote exports to recipient countries (see also Berthélemy and Tichit 2004); others “buy” political support by granting ODA (e.g., Kuziemko and Werker 2006; Dreher et al. 2008).

More strikingly perhaps, the allocation of NGO aid is not necessarily superior to the allocation of ODA. This is even though the allocation of NGO aid should be less distorted by commercial and political interests of donor governments (Nancy and Yontcheva 2006).<sup>11</sup> It may also be easier for NGOs to circumvent corrupt governments in the recipient country and deal directly with local target groups (Riddell et al. 1995: 25).

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7 See Nunnenkamp and Thiele (2006) for a summary of the relevant literature.

8 In Appendix 1, we provide an overview on major criteria for an efficient aid allocation and the related empirical evidence, by comparing ODA with aid from NGOs and corporate aid.

9 According to McGillivray (2003) as well as Dollar and Levin (2006), the poverty and policy orientation of several official donors has improved recently, but targeting by some major bilateral donors (e.g., France and the United States) still leaves much to be desired. The recent meta study of Doucouliagos and Paldam (2007: 25) reveals that most donors indeed grant more aid to poorer countries, but “the inverse aid-income relation explains only about 10% of the variation in the data.”

10 Alesina and Weder (2002) rejected the rhetoric of donors that ODA rewarded efficient and honest governments.

11 For a more detailed review of the literature on NGO aid, see Koch et al. (2009).

Nevertheless, the view that NGOs have a clear focus on the poor has come under attack. Many NGOs depend on government refinancing. This may result in NGOs becoming “the implementer of the policy agendas” of governments (Edwards and Hulme 1996: 970). The few empirical studies addressing the allocation of NGO aid across recipient countries come to opposing results. Nancy and Yontcheva (2006) find that poverty in recipient countries was the major determinant of aid allocation by European NGOs in the 1990s. By contrast, Dreher et al. (2007) as well as Koch et al. (2009) present evidence supporting a rather skeptical view.

The question whether private corporations could provide better targeted aid has received even less attention in the previous literature. The so-called “philanthrocapitalism” (The Economist July 1, 2006) is widely believed to be of increasing quantitative importance (Adelman 2003), but the data situation on country-specific allocations is extremely poor. It is even open to question which part of corporate philanthropy can reasonably be labeled as foreign aid. Various projects financially supported by private companies such as Nestlé are located in advanced industrialized countries which, according to OECD standards, must be considered donor countries rather than recipient countries. On the other hand, Nestlé’s financial support clearly meets the OECD’s defining criterion of aid, i.e., financial support carrying a grant equivalent of at least 25 percent. Indeed, support to all community projects considered in the following appears to have a grant element of 100 percent, as Nestlé provides outright grants rather than subsidized credits. Hence, we consider it reasonable to use the term “corporate aid” for the financing of community projects in low- and middle-income recipient countries.

Nevertheless, it cannot be taken for granted that aid by private companies is better targeted and less selfish than ODA. Adelman’s (2003) claim that private aid introduces modern business practices into the allocation of aid and, having passed the “market test”, is superior to ODA amounts to little more than another “article of faith” (Tendler 1982: 2) and abstracts from considerable ambiguity and possible trade-offs. First of all, it would be naive to assume that commercial self-interest does not affect the allocation of aid by profit-seeking corporations. While individual owners of companies may behave purely altruistically, the managers of publicly traded companies may well feel constrained in financing projects in which the company has no stake, not even indirectly.<sup>12</sup>

Consequently, company staff responsible for community projects and aid donations would probably have their activities more readily accepted and supported by senior management and shareholders if a “business case” can be made, by demonstrating that the projects are related in some way or another to the company’s own performance goals (Teegen 2006: 262). Corporate aid for health projects, notably the fight against HIV/AIDS, provides a case in point. For instance, Nestlé (2006: 37) reports that the

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12 As stressed by an anonymous referee, it would clearly involve agency conflicts if managers were free to support projects that were completely delinked from the profit motives of the company’s shareholders.

company adopted its first internal HIV/AIDS prevention policy for employees in the South Africa in 1986. One may reasonably suspect that the concentration of the benefits of health projects on company staff and their families, or areas where the company is recruiting, renders it easier to get project proposals approved.

Reviewing company statements of Nestle, Unilever and Google on the overall aim of, and approach to charity and project financing clearly supports this reasoning.<sup>13</sup> For instance, in its Sustainable Development Report 2007 Unilever frankly admits to the “clear commercial benefits alongside positive community impacts” it derives from about a quarter of its community projects and stresses an “increasingly close alignment of our community investment with social issues relevant to our business” (emphasis added). Nestlé and Unilever, two major multinational food companies, resemble each other in stressing the links between creating value for both society and shareholders. All this invites the hypothesis that commercial self-interest affects the allocation of corporate aid at least as much as the allocation of ODA.

Commercial self-interest is a somewhat vague notion, however, at least partly escaping empirical measurement. The importance of recipient countries as export markets has often been used in the literature on ODA to proxy for trade-related donor interests, but this indicator is typically unknown for specific corporations. This leaves us with another possibility to specify the above hypothesis: We suppose that corporate aid is largely restricted to locations where the company is present as an investor and owns local production facilities. This may be most obvious in cases where financial support for community projects helps mitigate the opposition of people feeling negatively affected by the commercial activities of the company. Environment-related projects financed by multinational oil companies spring to mind. Supporting (potential) suppliers in countries with corporate investments is another case in point. Examples include projects under the headings “Helping coffee farmers” and “Helping milk farmers” listed in Nestlé (2006).<sup>14</sup> More generally, generous financing of community projects in important host countries may help restore a company’s tarnished reputation and bad publicity in the aftermath of scandals and NGO campaigns. Similar to the protests against Shell’s planned sinking of its Brent Spar oil platform, the campaign against Nestlé’s marketing of breast-milk substitutes in developing countries is most likely to have shaped the company’s engagement in international development cooperation.

Information on corporate decision-making provided in Appendix 2 adds plausibility to the hypothesis that companies such as Nestlé and Unilever grant aid predominantly to countries where these multinational companies are present with foreign direct investment

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13 See Appendix 2 on the charitable activities of Nestlé, Unilever and Google.

14 For instance, the Arabica Coffee Experimental and Development Coffee Farm in Doi Tung, Northern Thailand, and Nestlé’s investments in Moga, India, to develop the local milk economy (village cooling centers, etc.).

(FDI). Both food companies are engaged in various global partnerships with UN organizations as well as other partners. While company headquarters are typically in charge of these global partnerships, project-specific funding is decentralized at the level of local affiliates.<sup>15</sup> This implies almost by definition that aid heavily depends on the presence of FDI.<sup>16</sup> Nestlé as well as Unilever “justify” this approach by stressing their reliance on “strong national companies” and, respectively, their “multi-local” character.<sup>17</sup> However, the international management literature suggests that the decentralization of aid allocation would also be consistent with a minor importance attached to decision-making in this area (e.g., Hodgetts and Luthans 2003: 341). In any case, the example of Google in Appendix 2 indicates that there are different corporate approaches of deciding on the allocation of aid and other donations.

Yet the link between FDI and corporate aid might be less strict than the above reasoning suggests - even for companies with decentralized decisions on allocation. Aid allocation typically involves two steps: (i) selecting countries that are eligible to receive any aid at all, and (ii) distributing the amount of aid among countries having passed the eligibility test. The hypothesis of FDI being a precondition for receiving corporate aid applies only to the first step. It is less clear whether the positive link between FDI and aid carries over onto the second step. One may well imagine a subsidiary in a poor country to support more development projects than a subsidiary in a richer country, irrespective of the size of each local subsidiary. In other words, we do not necessarily expect a significantly positive correlation between the stock of FDI and the amount of corporate aid across the sub-sample of host countries of FDI. As detailed below, we test in several ways for a possibly weaker impact of FDI on aid in the second stage of the allocation process.

Decentralized aid allocation by companies such as Nestlé and Unilever could also be expected to have ambiguous effects on targeting the needy and deserving. The poverty orientation of decentralized corporate aid may be strengthened as local staff tends to know best about country-specific need and poverty issues. For this reason, a company such as Unilever explicitly makes the case for decentralized decisions on aid. Yet it is difficult to imagine that a coherent poverty strategy could emerge from decentralized project decisions unless headquarters determines the overall size of country-wise aid budgets according to the relative severity of poverty in the recipient countries. Local staff

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15 Nestlé headquarters did not know how much its subsidiaries had spent on community projects when we first inquired about quantitative financial support in the context of the present paper.

16 Indeed, Nestlé’s aid database includes just one country (Tanzania) where the company did not own any capital stocks in 2006 (Nestlé 2007).

17 See Appendix 2 for details and the relevant company documents. Rugman and Collinson (2006: 48) ascribe a “think local” philosophy to the entire Nestlé business.

cannot reasonably be expected to weigh context-specific poverty issues by taking worldwide benchmarks into account.<sup>18</sup>

Compared to official aid agencies, even large multinational companies tend to support a relatively small number of recipient countries in which local affiliates exist. For instance, Nestlé financed projects in about 50 low- and middle-income countries, whereas about 120 low- and middle-income countries received Swiss ODA. The broader country coverage may impair the poverty focus of ODA, especially if indiscriminate donor behavior is not limited to the first step of selecting eligible recipients. However, greater selectivity in the first step does not necessarily imply better targeted corporate aid. Mapping the recipient countries of Nestlé's aid rather points to a bias against particularly poor countries in sub-Saharan Africa, many of which also remain white spots with regard to Nestlé's FDI (see also Section 3). Decentralized decisions on aid can thus be supposed to compromise the poverty orientation of corporate aid as FDI is typically concentrated in relatively advanced emerging markets and developing countries.

Finally, compared to NGO aid, the poverty focus of corporate aid may be weaker if the company is more likely to financially support projects proposed by politically important agents in the recipient country. Applications for project support from local communities and self-help groups may have a clearer poverty focus than those from ministries and the bureaucracy. But circumventing state agents is less an option for corporate donors than for northern NGOs dealing directly with the poor in the south. Corporate donors depend on the goodwill of local governments, e.g., when investment and business regulations are at stake. Hence, companies may be inclined to accept official project proposals to ease the process of doing business, even if alternative project proposals have a stronger impact on poverty alleviation.

In deriving the above propositions on the targeting of aid, we have implicitly assumed that the basic criteria for an efficient allocation of ODA, alluded to at the beginning of this section, apply to corporate aid, too. This assumption is clearly debatable, considering that foreign aid represents a side-affair for profit-oriented companies, even though some of them have built a reputation of engaging in international development cooperation. It should be noted, however, that the policy relevance of comparing the aid allocation of different donors would still be higher if corporate aid obeyed to completely different rules. For example, from an international development perspective, the expected link between FDI and corporate aid aggravates the dilemma facing many poor countries: While these countries may most urgently need foreign capital and knowledge to escape the poverty trap, their unattractiveness to FDI would at the same time cut them off from

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<sup>18</sup> The fact that Nestlé reports a fairly large number of poverty-related community projects in advanced countries may provide a first indication to this effect. It should be noted, however, that the same applies to Google which follows a centralized approach.

corporate aid. We will discuss important policy implications, e.g., with respect to donor coordination, in the concluding section.

### 3 Data and Stylized Facts

As mentioned before, we make use of unpublished project-specific data of Nestlé's financial support in a large number of countries in 2007.<sup>19</sup> These data were collected by Nestlé's headquarters in Vevey, Switzerland, from the various foreign affiliates only after we had presented our research idea to senior company staff. The decentralized decision-making on Nestlé's aid is also evident from the fact that it took several rounds of inquiry from headquarters until a complete and consistent dataset emerged.<sup>20</sup> The database not only allows us to assess the allocation of Nestlé's aid across a large number of recipient countries; we can also compare Nestlé with other donors, i.e., the Swiss government and Swiss NGOs.<sup>21</sup>

Nevertheless, some uncertainties concerning data reliability remain. First, Nestlé's affiliates in several low- and middle-income countries did not report any aid activities.<sup>22</sup> We assume Nestlé's aid to be zero in these countries. This group includes various countries with a presumably difficult business environment, such as Cuba, Guinea, Iran, Niger, Syria, or Zimbabwe. It may indeed be the case that Nestlé refrains from giving aid in such places. Yet, to rule out that the assumption of zero aid biases our results, we test for their robustness by excluding these countries. Second, while Nestlé's financial support generally resembles bilateral ODA in that it benefits one particular recipient country, a few aid projects in Central America cover several recipient countries.<sup>23</sup> Hence Nestlé's aid to Costa Rica, El Salvador, Nicaragua, Guatemala, Honduras, and Panama is understated as the amounts for joint projects cannot be accounted for in the estimations. Again, we perform a robustness test by excluding this group of countries from our sample. Third, although most projects that Nestlé supported are explicitly assigned to a specific MDG

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19 While (annual) financial contributions to specific projects are not publicly disclosed, the list of projects Nestlé supported and a short description of the projects can be accessed under: <http://www.community.nestle.com/Sitemap.htm>. See also Nestlé (2006). The benchmark of Swiss ODA and NGO aid refers to 2005; more recent ODA and NGO data were not available when the estimations were performed.

20 The project-related financial data used in the subsequent estimations are based on collection efforts as of March 2008.

21 As already indicated in note 17, most recent data available for ODA and NGO aid at the time of writing this paper refer to 2005, rather than 2007 as for Nestlé's aid. However, this is unlikely to distort our subsequent comparisons. In particular, there is no reason to suspect that the poverty orientation of ODA and NGO aid was atypically strong in 2005 and weakened considerably within the next two years.

22 Barbados, Bosnia and Herzegovina, Cambodia, Croatia, Cuba, Guinea, Iran, Lebanon, Lithuania, Macedonia, Mauritius, Mozambique, Niger, Oman, Saudi Arabia, Serbia and Montenegro, Senegal, Syria, Tunisia, Ukraine, Uruguay, Uzbekistan, Viet Nam, and Zimbabwe.

23 Projects covering several countries account for less than 0.5 percent of Nestlé's overall aid.

the project is meant to help achieve<sup>24</sup>, this assignment appears to be arbitrary in some cases. For this reason, we do not report MDG-specific estimations here.<sup>25</sup>

Tables 1 and 2 portray the global distribution of Nestlé’s aid and offer some regional background information on the company. Nestlé’s most important markets are in Western Europe and North America. Yet, a considerable share of sales is realized in developing countries, above all in Latin America and Asia. These two regions have also attracted most of Nestlé’s FDI flows to the developing world. By contrast, Africa and the Middle East play a minor role in its commercial activities. The distribution of Nestlé’s community support across the various world regions is in line with our hypothesis that commercial and aid activities are strongly linked. Latin America and Asia accounted for 30 and 53 percent, respectively, of Nestlé’s corporate aid to all low- and middle-income countries (LMICs) in 2007. Countries in sub-Saharan Africa received only four percent and those in the Middle East and North Africa even less. This picture looks different when examining aid-to-FDI ratios. In most regions, this ratio is about one percent. It is, however, remarkably higher in sub-Saharan Africa (3.48 percent) and even more so in South Asia (9.24 percent).

TABLE 1: NESTLÉ’S REGIONAL DISTRIBUTION OF FACTORIES, EMPLOYMENT, SALES, FDI AND AID, 2006

	Factories (number)	Employees (1000)	Sales (US\$ billion)	FDI <sup>e</sup> (US\$ million)	Aid, charity (US\$ million, 2007)
Europe	180	95	28.0	15462	15.7
<i>Western</i>	144	-	18.6 <sup>a</sup>	15048	10.7
<i>Eastern and Central</i>	36	-	2.7 <sup>a</sup>	414	5.0
Americas	162	99	30.9	1023	14.1
<i>USA and Canada</i>	87	-	16.4 <sup>a</sup>	122	3.3
<i>Latin America and Caribbean</i>	75	-	8.5 <sup>a</sup>	901	10.7
Asia, Oceania and Africa	139	72	14.1	2003	24.3
<i>Oceania and Japan</i>	21	-	3.7 <sup>a</sup>	762	3.5
<i>Other Asian markets</i>	70	-	5.1 <sup>a</sup>	953	19.2
<i>Africa and Middle East</i>	48	-	3.6 <sup>a</sup>	287	1.7
World	481	265	78.6 <sup>b</sup>	18488	54.1 <sup>d</sup>

<sup>a</sup> Excluding Nestlé Nutrition, Nestlé Waters, Nespresso and joint ventures in food and beverages

<sup>b</sup> Including sales not allocated to regions

<sup>c</sup> Including Turkey

<sup>d</sup> Excluding amounts not allocated to specific countries

<sup>e</sup> Capital stocks of companies of the Nestlé Group outside Switzerland

Source: Key Company and Brand Information, made available at the Nestlé European Expert Convening, September 25th 2007; unpublished data

24 For about 20 percent of Nestlé’s overall financial contributions an explicit link to the MDGs is either missing, or the project is claimed to serve several MDGs at the same time. According to Table 2, MDGs 1, 2, and 6 figure most prominently for Nestlé’s aid to all LMICs; at least two of these MDGs are also listed as most important for almost all sub-groups of countries presented in the table.

25 See Metzger et al. (2008) for MDG-specific estimation results. Appendix 5 offers some more details on projects assigned to MDG 8 (“Develop a global partnership”).

TABLE 2: NESTLÉ'S AID ACTIVITIES IN SUB-GROUPS OF LOW- AND MIDDLE-INCOME COUNTRIES, 2007

	Aid in percent of total aid	Aid in percent of FDI	MDG-related structure of aid <sup>b</sup>
East Asia & Pacific	39.9	1.69	MDGs 6,7,3 <sup>c</sup>
Europe & Central Asia	12.8	1.13	MDGs 2,8,6
Latin America & Caribbean	29.8	1.35	MDGs 1,8,2
Middle East & North Africa	0.7	0.17	MDGs 2,7,1
South Asia	13.0	9.24	MDGs 1,2,3
Sub-Saharan Africa	3.7	3.48	MDGs 6,2,1
No local production, no FDI (81)	0.01	-	-
No local production, FDI>0 (14) <sup>a</sup>	1.2	2.58	MDGs 2,1,7
Local production in one branch (11)	1.4	0.55	MDGs 6,2,1
Local production in two branches (14)	30.6	4.76	MDGs 6,1,2 <sup>c</sup>
Local production in three branches (16)	18.4	1.83	MDGs 1,2,3
Local production in more than three branches (15)	48.4	1.09	MDGs 1,8,7
<i>All low- and middle- income countries</i>	<i>100</i>	<i>1.57</i>	<i>MDGs 6,1,2<sup>c</sup></i>

Note: Local production refers to one or more of six major branches (beverages; milk products, nutrition and ice cream; prepared dishes and cooking aids; chocolate, confectionary and biscuits; pet care; pharmaceutical products); number of countries belonging to each sub-group given in brackets.

MDG 1: Eradicate extreme poverty and hunger

MDG 2: Achieve universal primary education

MDG 3: Promote gender equality and empower women

MDG 4: Reduce child mortality

MDG 5: Improve maternal mortality

MDG 6: Combat HIV/AIDS, malaria and other diseases

MDG 7: Ensure environmental sustainability

MDG 8: Develop a global partnership for development

<sup>a</sup> Note that FDI>0 may be due to local production not covered by the list of major branches and/or FDI in distribution and trade; however, this sub-group accounts for less than one percent of FDI in all low- and middle-income countries.

<sup>b</sup> Top 3 MDGs according to aid amounts

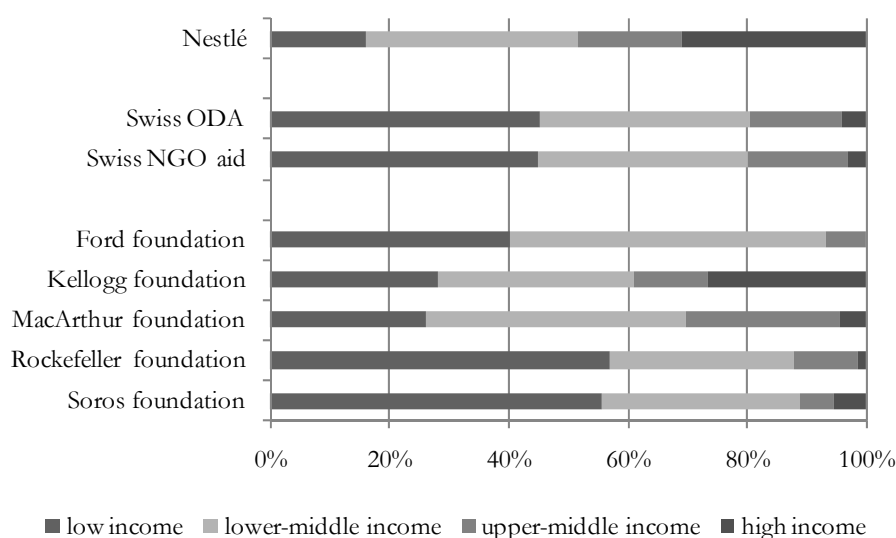
<sup>c</sup> Prominence of MDG 6 due to one particularly large project.

As argued in Section 2, it may be evident that commercial presence is the prerequisite for receiving corporate aid at all. In contrast to what we suspected above, however, the lower part of Table 2 seems to suggest that the scope of commercial activities also determines the amount of corporate aid. Very little aid (2.6 percent) is given to countries where Nestlé is present as a foreign investor but only produces locally in one of its major lines of production (“branch”) or in none at all. The overwhelming share of aid (97.4 percent) goes to countries with local production in at least two branches.

It is also illustrative to compare the aid allocation of Nestlé and other donors. Figure 1 shows the distribution of aid between low, lower-middle, upper-middle, and high-income countries for Nestlé, Swiss ODA, and Swiss NGO aid. Aid from selected foundations which were established and financially endowed by business tycoons provides another

benchmark. These foundations can be seen as an alternative model of corporate giving. They tend to be independent from the commercial activities of their originating companies, and to concentrate decision-making at headquarters. All these comparisons reveal that Nestlé’s aid is not particularly poverty-oriented. Indeed, projects in high-income countries accounted for about one third of Nestlé’s overall financial support in 2007, whereas this country group hardly received any aid from the Swiss government, Swiss NGOs, and most foundations.<sup>26</sup> Only the Kellogg foundation spent a similarly high share there. Nestlé also stands out with the lowest share of aid given to low-income countries (16 percent). In contrast, the Swiss government, Swiss NGOs, and the Rockefeller and Soros foundations directed roughly half their aid to these countries.

FIGURE 1: AID ALLOCATION ACROSS INCOME GROUPS FOR VARIOUS DONORS



Source: Nestlé (2007) and unpublished database; DCC (2007); Koch et al. (2009).

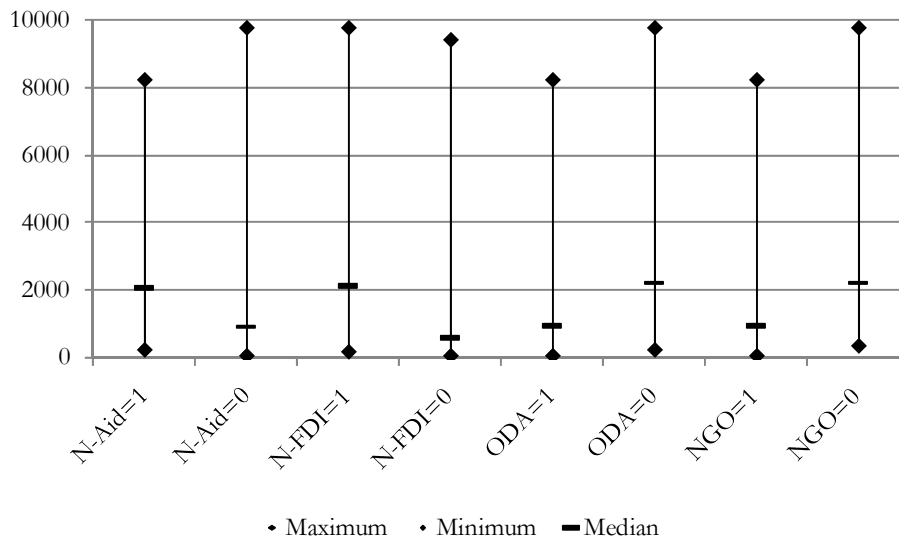
Figure 2 shows the median as well as the range of per-capita income within the sample of LMICs with and without aid from Nestlé, compared to countries with and without Swiss ODA, NGO aid, or FDI from Nestlé. The overall range of countries having received aid is similarly wide for Nestlé’s aid, ODA and NGO aid. All three donors also have in common that the maximum per-capita income of aid recipient countries is about US\$ 1500 below the maximum per-capita income of sample countries not having received aid. Yet, the median of per-capita income is more than twice as high for recipients of Nestlé’s aid than for recipients of Swiss ODA and NGO aid.<sup>27</sup> Furthermore, the median of per-capita income for countries with Nestlé aid considerably exceeds the median of per-capita income for countries without Nestlé aid. While the same pattern prevails with respect to FDI from Nestlé, this is in striking contrast to ODA and NGO aid for both of which the

26 As noted above, the latter finding is highly unlikely to have changed considerably since 2005. Income groups are defined according to the World Bank’s classification (GNI per capita in 2005). High-income countries are those with a per-capita income of at least US\$ 10,726 in 2005.

27 It is interesting to note that there are hardly any differences between Swiss ODA and NGO aid according to Figure 2.

median of per-capita income is considerably lower for aid recipients than for non-recipients.

FIGURE 2: MEDIAN AND RANGE OF PER CAPITA INCOME (IN US\$) FOR LOW AND MIDDLE INCOME COUNTRIES WITH AND WITHOUT NESTLÉ AID/FDI, SWISS ODA, AND SWISS NGO AID



Note: N-Aid = Nestlé’s aid in 2007; N-FDI = FDI from Nestlé at the end of 2006; ODA = Swiss official development assistance in 2005; NGO = aid from Swiss NGOs in 2005; for all categories: “=1” (“=0”) for sample countries with (without) aid or FDI. Source: Nestlé (2007) and unpublished database; DCC (2007).

#### 4 Estimation Approach

Our dependent variable of major interest is defined as Nestlé’s aid disbursements. Even though its aid activities are widely spread, Nestlé gives aid to a limited number of recipient countries (about 70 in 2007). Hence, the dependent variable takes the value of zero for a significant fraction of the sample but is roughly continuously distributed over strictly positive values for the remaining part.<sup>28</sup> Performing OLS on such a variable is very likely to bias the results. Furthermore, with OLS one would obtain negative predictions for a substantial part of the dependent variable ( $y$ ).

The estimation approach should take into account both the first step of selecting eligible recipients (selection equation) and the second step of distributing the positive amounts of aid among eligible recipients (allocation equation). There are various econometric approaches to do so, including the sample selection or Heckman model and Cragg’s two-part model. We follow large parts of the relevant literature and use the Tobit model for our regression analysis.<sup>29</sup> This model estimates the amount of aid allocated to a certain

<sup>28</sup> Nestlé reports aid only in the form of grants, which cannot be negative. By contrast, (net) aid in the form of subsidized loans may be negative when interest and amortization payments of the recipient exceed new loans from the donor. However, Swiss bilateral ODA in 2005 consisted to more than 98 percent of grants and grant-like contributions; <http://www.oecd.org/dataoecd/52/9/1893143.xls>; Table 12 (accessed: January 2008). This means that the aid variable is non-negative for both Nestlé and the ODA benchmark.

<sup>29</sup> For empirical applications of Tobit models in the context of aid allocation, see e.g. Alesina and Dollar (2000), Alesina and Weder (2002), and Berthélemy and Tichit (2004).

country, taking the qualitative difference between zero and continuous observations into account. Aid to a specific recipient is specified as the maximum of zero and a linear combination of the explanatory variables so as to guarantee that predicted aid flows cannot become negative. The Tobit model assumes that the (direction of) the effect of a variable on the selection and on the allocation equation is the same, assessing both in one step. A single Tobit coefficient thus combines, or averages, the two effects.

We use two commonly applied ways to check whether the Tobit model appropriately fits the data: First, the results of a separately estimated Probit model should be consistent with the Tobit results as regards sign and statistical significance of the regressors. Second, Tobit coefficients can be scaled in order to make them comparable to Probit coefficients. If the Tobit specification holds, the coefficients of both models should be “close” to each other.<sup>30</sup> Both requirements hold for Nestlé’s aid (see Section 5).

Note that Tobit coefficients are not identical to their marginal effects, which have to be calculated separately. The “overall effect” of a marginal change in one of the regressors can then be decomposed into two effects: One of them works by changing the expected (mean) value of  $y$  in the positive part of the distribution, and the other by changing the probability that an observation will be in the positive part. This provides additional insight on the magnitude of the effect an individual regressor has on the dependent variable at the selection and the level stage.

In line with the previous literature on aid allocation, the per-capita income of recipient countries provides an encompassing indicator of need. Its coefficient should be negative if aid is concentrated on particularly poor recipient countries. Per-capita income has repeatedly been shown to shape the distribution of aid (Berthélemy and Tichit 2004; Berthélemy 2006; Nunnenkamp and Thiele 2006; Dollar and Levin 2006; Thiele et al. 2007).

However, recipient countries may receive less aid than indicators of need would suggest if donors require recipient countries to meet basic institutional preconditions for aid to be effective (World Bank 1998). We measure the quality of institutions by considering “voice and accountability” and “control of corruption” (Kaufmann et al. 2007) to be a determinant of aid. The development of democratic and non-corrupt institutions is often mentioned by donors as a guiding principle of aid allocation, and there is at least some evidence that official donors granted more aid to democratic governments (Gates and Hoeffler 2004).<sup>31</sup> Hence, we would expect these variables to carry a positive sign, considering that higher index values indicate better institutions. On the other hand, aid

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30 If the specification of the Tobit model is correct, the probit estimators should be close to  $(1/\sigma)\beta$ , where  $\beta$  is the Tobit coefficient and  $\sigma$  is the standard error of the error term. Because of sampling error they will never be identical.

31 Less corrupt governments, however, do not appear to receive more foreign aid (Alesina and Weder 2002).

granted by NGOs may be negatively related to institutional quality if NGOs choose to work in “difficult” environments, i.e., locations with weak institutions in which NGOs may have comparative advantage over official donors.<sup>32</sup> As concerns private aid from companies such as Nestlé, it is difficult to decide *ex ante* on the sign of the democracy or corruption variable.

In addition, we estimate an extended model to also consider the commercial self-interest donors might have in granting aid. Models of ODA allocation often refer to trade-related interests and include the donor country’s exports to the recipient country to reflect such interests (Berthélemy 2006; Canavire et al. 2006). Bilateral relations with respect to foreign direct investment (FDI) represent another aspect of commercial ties that may motivate aid. Most ODA models ignore this aspect as bilateral FDI data are typically available for a limited number of developing countries only. In the case of Nestlé, the data situation is exactly the opposite: While bilateral trade flows are not available, FDI stocks are reported for all countries in which companies of the Nestlé Group are engaged. The measure we suppose to reflect Nestlé’s commercial interests refers to the value of capital stocks (in US\$) of companies of the Nestlé Group, which were located in the respective host country at the end of 2006 (Nestlé 2007). Unfortunately, other potentially superior indicators such as Nestlé’s employment, value added or sales were not available to us on a country-by-country basis.

Concerning the estimation technique, heteroskedasticity corrected, or “robust”, standard errors are employed for every model we estimated. We take (natural) logarithms of all dependent and independent variables, except for “voice and accountability” and “control of corruption”, the indicators of institutional quality.<sup>33</sup> In all estimations, we control for the population size of recipient countries, which is required as the dependent variable is not in per-capita terms.

Arguably, some of the explanatory variables may not be exogenous. For instance, effective aid may help raising the per-capita income of recipient countries. Aid may also help stabilizing democratic governments. For several reasons, however, reverse causation is unlikely to distort our empirical results. Various aid items are unlikely to have short-term effects on economic outcomes (Clemens et al. 2004). As concerns the impact on institutions, short-term effects are still more unlikely. According to Burnside and Dollar (2004: 4), “researchers coming from the left, the right, and the center have all concluded that aid as traditionally practiced has not had systematic, beneficial effects on institutions and policies.” Finally, Nestlé is too small a donor to shape economic and political

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32 For instance, UNDP (2005) argues that the international community can play a role in countries ranking consistently low on civil liberties, political freedoms and human rights by delivering aid through NGOs. This view is echoed in the aid policy documents of various bilateral donors. See Koch et al. (2009) for details.

33 Taking logs further reduces heteroskedasticity in the variables and pulls outliers closer to the “bulk”, making estimation results more reliable.

outcomes in a significant way by its aid allocation (the same applies to the Swiss government and Swiss NGOs). Nevertheless, we lag all explanatory variables by two years in order to minimize the risk of any reverse causation.<sup>34</sup> Definition and sources of the variables are provided in the Appendix 3, summary statistics in Appendix 4.

## 5 Major Results and Robustness Tests

The sample underlying empirical analyses of ODA allocation is typically restricted to recipient countries covered by the widely used OECD/DAC statistics (OECD 2007) or national aid statistics of the specific donor country: Relatively advanced emerging market economies are included on the recipient side (even those that by now have become donors themselves), but high-income countries only appear on the donor side. Likewise, we focus on LMICs as recipients of Nestlé’s aid.

Nevertheless, to fully use the information on project financing and charitable activities as provided by Nestlé, we begin with a sample including high-income countries, which adds up to 186 observations. Results for the basic model (excluding donor interest) are presented in column 1 of Table 3.<sup>35</sup> All explanatory variables are statistically significant. Not surprisingly, countries with a larger population receive more aid. At the same time, the Tobit estimation underscores the descriptive evidence presented in Section 3 that countries with higher per-capita income receive more aid from Nestlé. This finding is in sharp contrast to a poverty-oriented allocation of aid. The results for institutional quality are ambiguous. On the one hand, Nestlé favors more democratic countries. On the other hand, it disburses more aid in more corrupt countries.

The decentralized nature of Nestlé’s decision-making on aid complicates the interpretation of the findings on democracy and corruption. The institutional variables could just proxy the environment in which such decisions are taken. For instance, it may well be that staff members in countries with higher levels of “voice and accountability” are more likely to raise ideas for community projects and get them accepted and supported by senior management. At the same time, one might suspect that more corrupt local governments request more financial support of projects in return for good investment and business relations with Nestlé affiliates.

Adding Nestlé’s FDI to the regressors improves the model fit quite a bit: The Pseudo R<sup>2</sup> indicates that the extended model accounts for 59 percent of the variability in the dependent variable, as compared to the 48 percent of the basic model. It remains that Nestlé favors larger countries (measured in population size) with more democratic but

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34 Thus, our explanatory variables are based on 2005 values. However, where 2005 values were not available when the econometric analysis was conducted, we use the closest available year instead. In addition, GDP per capita is averaged over a period of four years to smooth out short-term fluctuations in income.

35 Please note that we only report marginal effects. Coefficients are available in an earlier Working Paper version (Metzger et al. 2008)

also more corrupt institutions. The coefficient on per-capita income is still positive, but statistically insignificant. Hence, Nestlé’s aid is not biased in favor of richer countries in the extended model, but neither is it poverty-oriented in the sense of being targeted to the neediest countries. Nestlé’s FDI levels are statistically significant at the one percent level (column 2 of Table 3). As hypothesized above, Nestlé is indeed more likely to give aid to countries where it is commercially active. The model predicts that an increase in FDI stocks has a positive influence on the probability of being selected as a recipient country. Commercial presence, however, is not only decisive for the first stage of aid allocation. It also carries over onto the second stage: Higher stocks of FDI imply higher levels of corporate aid. In other words, the marginal effects reported in column 2 of Table 3 do not support our hypothesis of a weaker impact of FDI on the allocation of aid among eligible host countries of Nestlé’s FDI.

TABLE 3: MARGINAL EFFECTS (EVALUATED AT THE SAMPLE MEAN VALUES OF THE EXPLANATORY VARIABLES) FOR THE TOBIT MODELS OF NESTLÉ AID, SWISS ODA, SWISS NGO AID

	mfx	Nestlé aid				Swiss ODA		Swiss NGO aid	
		All countries		LMICs		LMICs		LMICs	
		1	2	3	4	5	6	7	8
GDP per capita	1	1.37***	0.12	1.41***	<b>0.34*</b>	-0.85***	-0.70*	-0.87***	-0.49*
	2	0.16***	0.02	0.22***	<b>0.07*</b>	-0.02*	-0.01	-0.01*	-0.01
	3	1.12***	0.11	1.46***	<b>0.43*</b>	-0.76***	-0.64*	-0.81***	-0.46*
Voice and accountability	1	2.25***	1.45***	2.11***	<b>1.19**</b>	0.48	0.61	0.69	0.72
	2	0.26***	0.21***	0.33***	<b>0.25***</b>	0.01	0.01	0.01	0.01
	3	1.85***	1.29***	2.18***	<b>1.52***</b>	0.42	0.56	0.64	0.68
Control of corruption	1	-2.32***	-1.18*	-2.57***	<b>-1.52***</b>	-0.43	-0.56	-0.53	-0.52
	2	-0.27***	-0.17*	-0.40***	<b>-0.32***</b>	-0.01	-0.01	-0.01	-0.01
	3	-1.90***	-1.05*	-2.66***	<b>-1.94***</b>	-0.38	-0.51	-0.49	-0.49
Population size	1	1.54***	0.62***	1.15***	<b>0.37**</b>	1.52***	1.61***	1.27***	1.60***
	2	0.18***	0.09***	0.18***	<b>0.08***</b>	0.04***	0.03**	0.02*	0.02*
	3	1.26***	0.55***	1.19***	<b>0.47***</b>	1.35***	1.46***	1.17***	1.51***
Nestlé FDI	1		0.30***		<b>0.16***</b>				
	2		0.04***		<b>0.03***</b>				
	3		0.27***		<b>0.21***</b>				
Bilateral exports	1						-0.18		-0.37*
	2						-3.27E-03		-4.90E-03
	3						-0.16		-0.35*
Observations		186	186	144	<b>144</b>	144	138	144	138
log L		-283.12	-266.32	-177.42	<b>-163.00</b>	-304.34	-293.57	-286.67	-272.17
sigma		9.08	8.05	8.67	<b>7.27</b>	2.93	2.83	2.34	2.27
Pseudo R2		0.44	0.54	0.48	<b>0.59</b>	0.58	0.58	0.61	0.62
Prob > chi2		0.00	0.00	0.00	<b>0.00</b>	0.00	0.00	0.00	0.00

mfx 1: overall marginal effect; mfx 2: marginal effect on probability that y is positive; mfx 3: marginal effect on expected value of y; \* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%

When replicating the estimations on Nestlé’s aid for the LMIC sample, the number of observations declines from 186 to 144.<sup>36</sup> Yet, the results are strikingly robust (columns 3 and 4 in Table 3). Sign and significance of the coefficients of the explanatory variables do not change and the marginal effects indicate that all the variables described above have a

<sup>36</sup> The LMIC sample consists of non-OECD countries with a per-capita income of less than US\$ 10,725. ODA and NGO aid models are estimated for the same sample, but the inclusion of the bilateral export variable results in a loss of six observations. The results for Nestlé are not affected when these six observations are also excluded in the Nestlé sample.

significant effect on the probability of receiving aid and on the amount disbursed thereafter. Most importantly, restricting the sample to LMICs has no effect on the lacking poverty orientation of Nestlé’s aid and its strong link to commercial presence in both stages of the aid allocation process.

Corresponding estimations are also shown for Swiss ODA and NGO aid, to see how Nestlé compares with other Swiss donors (columns 5-8 in Table 3). Since the results of the basic and the extended model are very similar, we focus the presentation and discussion of results on the extended model with donor self-interest included.

Comparing the different donors, Nestlé stands out in several respects, while the allocation of ODA and NGO aid is remarkably similar.<sup>37</sup> First, the Swiss government and NGOs appear to be more altruistic than corporate donors, if Nestlé is representative of the latter. It has to be recalled that we have to refer to exports, rather than FDI, as a proxy of donor self-interest in the ODA and NGO aid model. Consequently, the results on commercial self-interest are not fully comparable across the three donors under consideration. However, exports and FDI are typically strongly correlated.<sup>38</sup> The marginal effects suggest that bilateral exports are insignificant in both stages of the allocation of ODA, while they are significantly negative in the second stage (though only at the 10 percent level) for NGO aid. The finding that Swiss ODA is not driven by commercial interest is in line with Berthélemy and Tichit (2004) as well as Berthélemy (2006). The bias of NGO aid against more important trading partners of Switzerland resembles the findings of Nunnenkamp et al. (2009).

Second, the allocation of both ODA and NGO aid is clearly more poverty-oriented than Nestlé’s aid. In the basic models on ODA and NGO aid, per-capita income enters significantly negative at the one percent level. In the extended models with bilateral exports included, the significance of the coefficient on per-capita income weakens considerably, but remains significant at the 10 percent level.<sup>39</sup>

Third, the aid allocation of both the Swiss government and Swiss NGOs is not affected by the institutional quality of recipient countries. This result does not change when the list of explanatory variables includes only one proxy for the quality of institutions (either “voice and accountability” or “control of corruption”). By contrast, Nestlé favors more democratic, but also more corrupt countries.

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37 Note that the effects of population on all types of Swiss aid turn out to be surprisingly large. A closer inspection reveals that Swiss aid in 2005 was indeed biased towards countries with larger population size – in contrast to the small country bias often found in the literature for other donors. The fact that small projects below a certain minimum go unreported in Swiss aid statistics (DCC 2007) may provide at least part of the explanation. Results would be biased towards larger countries if projects below the threshold are concentrated in small recipient countries.

38 This even applies to the correlation between total Swiss exports and Nestlé’s FDI; the correlation coefficient amounts to 0.55.

39 This is very likely due to multicollinearity between per-capita income and exports.

We perform several robustness tests of our preferred specification on total aid from Nestlé for the LMIC sample in column 4 of Table 3. It turns out that all major findings on Nestlé’s aid allocation are robust to various changes in the estimation strategy. For a start, we estimate a Probit rather than a Tobit model. As explained in Section 4, this allows us to assess whether the Tobit model is appropriate. The Probit and Tobit estimates are consistent with respect to sign and significance of the regressors; and the scaled Tobit coefficients are fairly close to Probit coefficients.<sup>40</sup> This supports the choice of our estimation method.

Next, we perform several robustness tests in order to address the data concerns discussed in Section 3. In particular, we replicate the preferred Tobit specification for smaller samples by excluding LMICs for which data uncertainties remain. In column 1 of Table 4, we exclude six Central American countries for which Nestlé reports aid projects covering several countries belonging to this group. The country-specific aid amounts are thus slightly understated. The estimation results are almost the same as those of our preferred specification. Likewise, the results are hardly affected when the Philippines, a striking outlier in terms of the amount of aid received from Nestlé, are excluded from the sample (column 2).

It is only when we reduce our sample by a fairly large number of LMICs that some of our basic results are affected. The estimation reported in column 3 of Table 4 is based on just 121 countries: We exclude all countries for which local Nestlé staff did not report any project financing in 2007 (listed in footnote 19 above), rather than assuming Nestlé’s aid to be zero in all these cases. This modification strengthens the relation between Nestlé’s FDI and aid: the magnitude of the overall marginal effect of FDI is now more than twice as high as in column 4 of Table 3. At the same time, population size turns insignificant and the coefficient on per-capita income now becomes negative but is not significant. In other words, Nestlé’s aid allocation appears to be less biased against poorer countries than before. The effects of the institutional variables remain unchanged. Nestlé still favors more democratic and more corrupt places.

It essentially depends on the validity of the “zero assumption” concerning aid in the non-reporting countries whether the results shown in column 3 of Table 4 are more reliable than the benchmark in column 4 of Table 3. Obviously, the assumption underlying our previous estimations would be violated if local staff could have reported MDG-related project financing, but did not respond to repeated requests from headquarters to do so. However, it is rather unlikely that aid activities went unreported for such reasons in all or, at least, most of the countries excluded. Rather, the incentives for company staff to fully report their “doing good” appear to be fairly strong with corporate social responsibility in general, and private giving in particular figuring increasingly high on the business agenda

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40 See Metzger et al. (2008) for detailed results.

(The Economist January 19th, 2008). Hence, we consider our baseline results to be more reliable.

TABLE 4: ROBUSTNESS CHECKS: MARGINAL EFFECTS (EVALUATED AT THE SAMPLE MEAN VALUES OF THE EXPLANATORY VARIABLES)

	mfx	Nestlé aid LMICs						Swiss ODA	Swiss NGO	
		1	2	3	4	5	6	7a	LMICs	aid LMICs
GDP per capita	1	0.33*	0.33*	-0.09		0.27	0.33	2.17*	-1.73***	-1.00**
	2	0.07*	0.07*	-0.02		0.06	0.07	0.12*	-2.53E-02	-0.97E-03
	3	0.43*	0.43*	-0.07		0.34	0.43	1.56*	-1.71***	-0.99**
Voice and accountability	1	1.13***	1.15***	1.04**	1.37***	1.25***	1.20***	5.66***	0.40	1.19**
	2	0.25***	0.24***	0.28**	0.28***	0.26***	0.25***	0.32***	0.58E-03	1.15E-03
	3	1.49***	1.51***	0.84**	1.62***	1.56***	1.53***	4.07***	0.40	1.18***
Control of corruption	1	-1.36***	-1.47***	-1.27**	-1.43***	-1.55***	-1.53***	-8.01***	0.11	-1.06
	2	-0.30***	-0.31***	-0.34**	-0.29***	-0.33***	-0.33***	-0.45***	0.15E-03	-1.03E-03
	3	-1.79***	-1.92***	-1.03**	-1.69***	-1.93***	-1.95***	-5.77***	0.10	-1.06
Population size	1	0.34**	0.35**	0.24	0.30*	0.43**	0.37**	1.67***	0.83	0.77**
	2	0.08***	0.07***	0.06*	0.06**	0.09***	0.08***	0.09***	1.21E-08	7.50E-03
	3	0.45***	0.46***	0.19	0.36**	0.53***	0.47***	1.20***	0.82	0.77**
Nestlé FDI	1	0.15***	0.16***	0.40***	0.22***	0.17***	0.16***	0.67*		
	2	0.03***	0.03***	0.11***	0.04***	0.04***	0.03***	0.04*		
	3	0.20***	0.20***	0.32***	0.26***	0.21***	0.21***	0.48*		
HDI	1				-0.24					
	2				-0.05					
	3				-0.28					
Swiss ODA	1					-0.06				
	2					-0.01				
	3					-0.07				
Swiss NGO aid	1						-0.01			
	2						-1.46E-03			
	3						-0.01			
Bilateral exports	1							0.06	-0.05	
	2							9.00E-05	5.00E-07	
	3							0.06	-0.05	
Observations		138	143	121	134	144	144	66	66	
log L		-149.69	-160.08	-125.64	-162.03	-162.68	-163.00	-153.43	-139.83	-132.63
sigma		7.08	7.37	3.87	7.27	7.20	7.26	6.93	2.24	1.92
Pseudo R2		0.60	0.58	0.79	0.59	0.59	0.59	0.40	0.53	0.51
Prob > chi2		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

mfx 1: overall marginal effect; mfx 2: marginal effect on probability that y is positive; mfx 3: marginal effect on expected value of y; \* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%

Going back to the sample of all LMICs, there is another way to assess whether the poverty orientation of Nestlé's aid allocation was understated before: We replace the per-capita income of recipient countries by the Human Development Index (HDI) as an alternative indicator of need (column 4). In this way, we account for the possibility that Nestlé follows a more holistic approach to poverty, similar to the claim of various official donors and NGOs that their aid allocation takes account of different dimensions of need.<sup>41</sup> Although the HDI coefficient is negative, it fails to pass conventional levels of significance. Hence, using this alternative indicator of need hardly improves the poverty orientation of Nestlé's aid.

In the next robustness test, we add either Swiss ODA or NGO aid to the list of independent variables (columns 5 and 6 of Table 4). Our previous results are hardly

41 See the definition of variables in Appendix 3 for the components of UNDP's Human Development Index.

affected. The finding that the coefficient on ODA is insignificant indicates that Nestlé, unlike Swiss NGOs, allocates its aid autonomously, which is not surprising in the absence of financial dependence on official backdonors.

Finally, our sample so far consisted of all LMICs, irrespectively of whether or not a Nestlé affiliate is located in the country. However, as argued in Section 2, Nestlé can be expected to disburse aid only in those countries in which it has a commercial presence. This “FDI bias” may also be explained by Nestlé’s relatively small aid budget and the high transaction costs of identifying and implementing community projects. For this reason, we reduce the sample to include only LMICs with positive amounts of Nestlé FDI to re-assess the aid allocation of Nestlé compared to that of the Swiss government and Swiss NGOs (columns 7a-7c of Table 4). It turns out that even among the countries in which it is present as a foreign investor Nestlé still favors richer countries with more democratic but also more corrupt institutions. In addition, the level of Nestlé’s FDI does not only influence whether a country receives any aid at all. Higher stocks of FDI are also related to higher amounts of aid in the second stage. By contrast, both Swiss ODA and NGOs continue being poverty-oriented and altruistic.

## 6 Summary and Conclusions

Very little is known about where private aid is spent and what drives its allocation. A case study of one particular company can, of course, narrow this gap only slightly. This is all the more so as different models of corporate giving exist, ranging from highly decentralized decisions on aid allocation to independent foundations. It is relatively easy to lament the selfishness of official donors and the misallocation of ODA for which comprehensive data are fully disclosed. NGOs as well as private corporations claiming to be part of international development efforts should be subjected to the same scrutiny. Transparency and common disclosure standards for all major sources of development aid would help a better informed debate on the targeting of aid by different donors.<sup>42</sup> Nevertheless, Nestlé as one of the frontrunners in the corporate sector being actively involved in international development cooperation (Kolk and van Tulder 2006) offers some interesting insights that may temper the current euphoria about private aid and, at the same time, invite both private and official donors to review their aid strategies.

Since the highly influential World Bank (1998) study “Assessing Aid” some basic principles of aid allocation tend to command widespread support even though the optimal donor strategy continues to be discussed controversially. Official donors are advised to (i) focus on the poor, (ii) favor recipient countries where basic preconditions are in place for aid to be effective, and (iii) not mingle aid with commercial and political

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<sup>42</sup> For a detailed discussion on the role of transparency in the relations between socially responsible multinational companies and developing host countries, see Vogel (2005). The need for transparency of all donors becomes still more urgent in the light of the “shift toward the development of ‘partnerships’ between big business and development institutions” (Lodge and Wilson 2006: 85).

self-interest. From a business perspective, it may be rather naïve to demand the same from private donors. However, it would have important implications for international development cooperation if the allocation of corporate aid obeyed to completely different rules. Hence, comparing the allocation of corporate aid with that of ODA should be relevant for both private and official donors.

The case of Nestlé suggests that private aid is not particularly well-targeted to needy and deserving countries. This is even though Nestlé's aid allocation clearly favors more democratic countries. At the same time, however, Nestlé's aid lacks focus in terms of targeting poor countries; it even seems to be biased in favor of richer countries. In addition, Nestlé tends to engage more in aid activities in more corrupt countries. These observations still hold when the sample is reduced to the countries in which Nestlé is present as a foreign investor.

It was to be expected that aid projects supported financially by Nestlé are located almost exclusively where the company is engaged as a foreign direct investor, once it is taken into account that Nestlé has decentralized essentially all decisions on aid allocation. More strikingly, FDI still prevails as a major driving force of Nestlé's aid in the second stage of allocating aid amounts among countries having passed the eligibility stage. Our findings are also in conflict with the hypothesis that the FDI-aid link should weaken considerably for the sub-group of low- and middle-income host countries of FDI.

From an international development perspective, the clear link between FDI and corporate aid in both stages of the allocation process renders it more difficult to escape poverty traps: "The problem is that FDI inflows to developing countries and the benefits that flow from them are not evenly spread among or within developing countries" (Lodge and Wilson 2006: 115). For instance, sub-Saharan Africa clearly falls behind in attracting FDI, with Nestlé being fairly representative in this regard: This region hosted less than one percent of Nestlé's FDI stocks in 2006 (Nestlé 2007). With FDI being strongly concentrated in a few relatively advanced host countries and absent in large parts of Africa, corporate aid activities may widen the gap between the haves and have-nots, rather than channeling resources where needed most.

It would clearly be desirable to perform comparative studies across different types of companies to assess whether and in which respect Nestlé is representative for corporate donors. Future research should pay particular attention to the question of whether corporate aid could be better targeted to the needy and deserving if it were delinked from commercial presence. Companies differ in the way they decide on aid. Nestlé "thinks local" (Rugman and Collinson 2006: 48) and relies on strong national companies; Unilever explicitly argues in favor of decentralized decisions on private aid. By contrast, Google hired a "guru of giving" to define its aid strategy (The Economist January 19th, 2008: 62). From an international management perspective, it is not really surprising that decentralization is often the preferred option. Corporate giving is obviously of relatively

low importance compared to profit-oriented core business, and foreign aid involves relatively small amounts of finance. Furthermore, local staff probably knows best about most pressing needs in a particular host country. All these factors work in favor of decentralization (for details, see Hodgetts and Luthans 2003; Rugman and Collinson 2006).<sup>43</sup> But decentralization may be an inferior approach if poverty-related targeting of aid across the universe of needy countries is at stake.

The case of Nestlé tends to support the view that a coherent poverty strategy is unlikely to emerge from fully decentralized decisions on local community projects. Local staff cannot reasonably be expected to weigh context-specific poverty issues by taking worldwide benchmarks into account. Consequently, headquarters would have to determine the overall size of country-wise aid budgets according to the relative severity of poverty in the recipient countries. Centralization with respect to overall aid budgets could help delink aid from commercial presence in the second step of aid allocation, while local staff knowing better about specific need and poverty issues may still decide on which projects to spend the budget.<sup>44</sup> Centralization might also help to discourage corrupt local governments to request aid in return for better business relations.

More radical approaches may be required to delink aid from commercial presence in the first step, too. Partnerships of private companies with public donor agencies and/or NGOs may provide one option. The exploratory study of Kolk et al. (2008) indicates, however, that the links to the company's core activities remain fairly strong in most partnerships. This applies especially to project-specific partnerships with either public agencies or NGOs, while the few tripartite partnerships appear to be better suited to broaden the reach of corporate aid. Another option might be to entrust a completely independent foundation with the job of "doing good" by granting aid, in order to avoid that white spots with respect to commercial presence also remain white spots for corporate aid. For similar reasons, Lodge and Wilson (2006: 158) propose establishing a World Development Corporation that should be organized, co-financed and managed by major multinational companies, and whose development efforts should be focused "on those countries or regions of countries that have received little or no foreign investment."

Yet, large parts of corporate aid are bound to stay aligned with business interests, if only to contain agency problems in profit-oriented companies with delegated management. At the same time, private aid may become still more important, relative to ODA, in the course of time. Taken together, this would imply that current attempts at coordination among official donors fall grossly short of designing a consistent strategy of targeting aid from different sources. A broader approach to donor coordination may be based on

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43 See also O'Connell (2005) and the literature cited therein.

44 Note that such an approach would resemble general international strategic management practices of companies such as Nokia: The decentralized "hands-off approach promotes creativity, entrepreneurial effort, and personal responsibility. At the same time, however, in order to prevent operations from spinning out of control, the company exercises very tight financial discipline" (Hodgetts and Luthans 2003: 330).

complementarities between the aid efforts of official agencies, NGOs, endowed foundations, and private companies.<sup>45</sup> For an efficient division of labor between these actors in international development cooperation to emerge, however, transparency about sources and determinants of aid appears still more important.

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<sup>45</sup> We owe this point to an anonymous referee.

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## Appendix

### APPENDIX 1: ALLOCATION OF DIFFERENT TYPES OF AID (ODA, NGO AID, AND CORPORATE AID): MAJOR ISSUES, OPEN QUESTIONS AND AVAILABLE EVIDENCE

	Poverty focus	Selectivity and institutions	Self-interest of donors	Donor coordination
ODA	Increasingly targeting the poor? MDG-related needs taken into account? Striking differences between donor countries	Focus on where basic institutions are in place? Or: ODA still used to “buy” reforms (conditionality)? Opposing empirical findings on selectivity	Less relevant after end of the Cold War? Trade-related interests still matter for some donors Politically “friendly” recipients typically preferred	Various attempts at coordination (e.g., Paris Declaration, 2005) But: still “aid darlings” and “aid orphans”? Little empirical evidence
NGO aid	Closest to the poor by dealing directly with target groups? Focus on fighting absolute poverty? Not generally more needs-based than ODA	Comparative advantage of working in difficult environments? Hardly any evidence to this effect	Self-interest plays no role? Trade and political alliances typically irrelevant But: fierce competition among NGOs for official refinancing and private donations	Going where official aid agencies do not go? Or: mimicking the state and following peers? Strong evidence of herding behaviour
Corporate aid	Foundations: specialization on pressing needs (e.g., specific MDGs)? Firms: concentration on middle-income countries? Helping overcome “pockets of poverty” in relatively advanced countries?	Increasingly performance-based? More efficient allocation by having passed the “market test”? Bribing governments and “buying” local support?	Altruistic (endowed) foundations without disincentives arising from financial dependence? Engagement of firms restricted to locations with commercial presence?	Coordination through PPP and tripartite partnerships? Or: division of labour through complementary location choices? Centralized or decentralized decisions of firms on aid? Ambiguous evidence on the effectiveness of partnerships

APPENDIX 2: SELECTED CHARACTERISTICS OF CHARITABLE ACTIVITIES: THE CASES OF NESTLÉ, UNILEVER AND GOOGLE

	Nestlé	Unilever	Google
<i>Mission</i>			
Overall aim	Creating shared value: “For a business to be successful in the long term, it must create value not only for its shareholders but also for society” ( <a href="http://www.nestle.com/SharedValueCSR/Overview.htm">http://www.nestle.com/SharedValueCSR/Overview.htm</a> )	“We are committed to working with governments to help achieve the UN Millennium Development Goals” ( <a href="http://www.unilever.com/sustainability/indicesandachievements/millennium-development-goals.aspx">http://www.unilever.com/sustainability/indicesandachievements/millennium-development-goals.aspx</a> )	The commitment “to address some of the world’s most urgent problems” became Google.org (whose strategy was presented in <i>The Economist</i> , January 19th, 2008)
Link to corporate activities	“Creating value for society while creating value for our shareholders ... this is Nestlé’s approach to the community and, on a wider view, to the attainment of the UN Millennium Development Goals” (Nestlé 2006: 4)	“The principal way in which we can make a contribution to the MDGs is through the products we sell and the wealth and jobs our core business operations create” ( <a href="http://www.unilever.com/sustainability/indicesandachievements/millennium-development-goals.aspx">http://www.unilever.com/sustainability/indicesandachievements/millennium-development-goals.aspx</a> )	Links to corporate activities appear to be weak, compared to Nestlé and Unilever (“We can tap Google’s innovative technology and ... its inspired workforce;” <a href="http://www.google.org/about/html">http://www.google.org/about/html</a> )
Basic approach	Involving Nestlé staff throughout the world and financially supporting hundreds of local projects designed to strengthen the community and the nation	Mixture of projects: charitable donations (~1/3), mutual benefits for business and partners (~2/5), “clear commercial benefits” (~1/4); “increasingly close alignment of our community investment with social issues relevant to our business” (Sustainable Development Report 2007)	Hybrid philanthropy that applies traditional tools such as supporting partners with targeted grants as well as investing in for-profit endeavours
Global partners	International Federation of Red Cross and Red Crescent Societies (IFRC), UNHCR, Clinton Global Initiative, Swisscontact, Global Alliance to Improve Nutrition	UNICEF, World Heart Federation, FDI World Dental Federation, UN World Food Programme, Rainforest Alliance, Roundtable on Sustainable Palm Oil, Water and Sanitation for the Urban Poor	Special global/multi-country projects with, inter alia: ONE Action Campaign, Seva Foundation, World Bank, Rotary Foundation
<i>Activities/projects</i>			
Overall financing	Financial support in the order of \$ 55 million to local community projects in about 70 countries in 2007	Financial support in the order of € 89 million to community projects in 2007 (2006: € 78 million)	As of September 2008, Google.org had committed over \$100 million in grants and investments.
Major topics	Fight against HIV/AIDS and other infectious diseases, eradication of hunger and poverty, education	Focus on health (nutrition, hygiene), education, environmental sustainability and economic development	Core initiatives: renewable energy, plug-in electric vehicles, early warning on global health threats, quality of public services, SME growth
Regional/country focus	Asia (China, Pakistan, Philippines), Brazil, Poland; also many projects in high-income countries	e.g., Ghana, Kenya, Rep. South Africa, India, Indonesia, Brazil; also many projects in high-income countries	East Africa, India; renewable energy and electric cars: almost exclusively USA
Explicit MDG focus?	Yes; for details see Nestlé (2006) in the list of references	Yes; for details see <a href="http://www.unilever.com/sustainability/indicesandachievements/millennium-development-goals.aspx">http://www.unilever.com/sustainability/indicesandachievements/millennium-development-goals.aspx</a> ;	No
Documentation	<a href="http://www.community.nestle.com/">http://www.community.nestle.com/</a>	<a href="http://www.unilever.com/sustainability/casestudies/">http://www.unilever.com/sustainability/casestudies/</a>	<a href="http://www.google.org/projects.html">http://www.google.org/projects.html</a>
<i>Who is in charge?</i>			

Role of headquarters	Limited: some global partnerships (e.g., IFRC and Lutheran World Federation/ Interfaith Action for Peace in Africa) supported and managed by Nestlé Corporate Public Affairs in Vevey, Switzerland; some smaller projects funded by the Corporate General Secretariat	Unclear: the example of donations to Kenya after the violence that followed the presidential elections in 2008 suggests that Unilever headquarters decided on overall amounts, but let local management (and WFP staff) decide on how to make best use of funds (Sustainable Development Report 2007)	Strong: centralized decision on five “core initiatives;” starting with a list of more than 1,000 ideas, it took two years to produce a focused strategy for Google.org , the philanthropic division with about 40 staff members (The Economist, January 19th, 2008)
Role of local affiliates	Important: mainly relying on “strong national companies which are fully integrated into the social, cultural, and economic life of the country where they operate” ( <a href="http://www.nestle.com/SharedValueCSR/Community/In+the+Community/Introduction.htm">http://www.nestle.com/SharedValueCSR/Community/In+the+Community/Introduction.htm</a> )	Important: “Our approach as a ‘multi-local’ multinational is to encourage our local managers to define which needs they are best placed to address” (Sustainable Development Report 2007)	No major role, as it seems
Role of foundations	Several foundations exist, including one for the Study of Problems of Nutrition in the World; none of them appears to be responsible of aid giving to low- and middle-income countries; see: <a href="http://www.nestle.com/SharedValueCSR/Community/Foundations/Foundations.htm">http://www.nestle.com/SharedValueCSR/Community/Foundations/Foundations.htm</a>	Several country-specific foundations exist; e.g., Unilever Foundation for Education and Development in Ghana; also in Rep. of South Africa; see also Unilever United States Foundation, providing grants in the USA	Google Foundation is managed by Google.org and supports its mission and core initiatives; see: <a href="http://www.google.org/foundation.html">http://www.google.org/foundation.html</a>

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Source: [www.nestle.com](http://www.nestle.com), [www.unilever.com/sustainability](http://www.unilever.com/sustainability), [www.google.org](http://www.google.org);

APPENDIX 3: DEFINITION OF VARIABLES

Variable	Definition	Source
GDP per capita	GDP per capita in international US\$. Average over the years 2001-2004.	World Bank, WDI database
Voice and accountability	Measures the ability of a country's citizens to participate in selecting their government, the freedom of expression, and the freedom of association and free media in 2005. The index ranges from -2.5 to 2.5 with higher values corresponding to better governance.	Kaufmann et al. (2007), <a href="http://www.govindicators.org">www.govindicators.org</a>
Control of corruption	Measures the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests in 2005. The index ranges from -2.5 to 2.5 with higher values corresponding to better governance.	Kaufmann et al. (2007), <a href="http://www.govindicators.org">www.govindicators.org</a>
Population	Total population as of 2005.	World Bank, WDI database
Nestlé aid	Nestlé aid in 2007 in US\$; taken as aggregate value per country. (Amounts not attributable to individual countries excluded from estimations)	Nestlé unpublished data
Nestlé FDI	Capital stocks in US\$ of companies of the Nestlé Group outside of Switzerland, as of 31 December 2006.	Nestlé
Total Swiss ODA	Official development assistance of Switzerland in 2005; US\$.	DDC (2007)
Total Swiss NGO aid	Private donations disbursed by Swiss non-profit organizations active in development and humanitarian aid to low and middle income countries in 2005; US\$.	DDC (2007)
Bilateral exports	Swiss exports to aid recipient countries in 2005; US\$.	Datastream, based on IMF, Direction of Trade Statistics
HDI	Human Development Index 2004; composite index of life expectancy at birth, adult literacy rate, gross enrolment rate for primary, secondary, and tertiary schools and GDP per capita (PPP US\$).	<a href="http://hdr.undp.org/en/">http://hdr.undp.org/en/</a>

APPENDIX 4: SUMMARY STATISTICS (FOR ALL LMICS)

Variable	Mean	Std. dev.	Min	Max
GDP per capita (in US\$)	1942.60	2139.85	91.93	9772.83
Voice and accountability	-0.42	0.83	-2.20	1.24
Control of corruption	-0.48	0.66	-1.60	1.35
Population size (in million)	36.13	143.50	0.05	1304.50
Nestlé aid (in thousand US\$)	226	1017	0	9878
Nestlé FDI (in thousand US\$)	13975	58931	0	548223
Swiss ODA (in thousand US\$)	6287	15469	0	163617
Swiss NGO aid (in thousand US\$)	2110	4016	0	26391
Bilateral exports (in million US\$)	109	308	0	2784
HDI	0.65	0.16	0.31	0.88

#### APPENDIX 5: NESTLÉ'S AID ACTIVITIES RELATED TO MDG 8

MDG-specific estimations of the Tobit model do not offer additional insights into the allocation of aid by Nestlé.<sup>46</sup> The results prove to be fairly stable. In particular, Nestlé does not seem to focus on poor countries in any of the MDGs examined, and its engagement as a foreign investor clearly drives the company's aid activities across various MDGs.

It is only for MDG 8 ("Develop a global partnership") that most of the coefficients, including the coefficient on FDI, turned out to be insignificant. An anonymous referee alerted us to the fact that this may have several reasons. First of all, MDG 8 differs from the other MDGs; it involves variants of partnerships with different stakeholders engaged in international development cooperation.<sup>47</sup> Second, the focus of aid activities may differ between locations and major lines of business (compare Table 2). Third, data shortcomings may be responsible for spurious MDG 8-specific results.

To check at least tentatively for the relevance of these factors, we provide an overview of selected Nestlé projects related to MDG 8 in the table below. The selection is representative in that Latin America, and in particular Brazil, accounts for a disproportionately large share of MDG 8-related projects. However, it is sometimes open to question whether "global partnerships" are really the major objective of these projects (e.g., tsunami reconstruction in Sri Lanka). Furthermore, information provided in the last column of the table points to *local* partnerships in several cases, rather than the *global* partnerships called for in MDG 8. Consequently, the example of MDG 8 invites caveats against deriving strong conclusions from MDG-specific estimation results, not least due to sometimes arbitrary assignments of Nestlé's community projects to particular MDGs.

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46 MDG-specific results are available in an earlier Working Paper version (Metzger et al. 2008).

47 There is a fairly rich literature on the variants of partnerships, and specifically on the pros and cons of public-private partnerships (e.g., Chataway and Smith 2006; Samii et al. 2002), private profit-non profit partnerships (e.g., Ashman 2001), and tripartite partnerships (e.g., Selsky and Parker 2005); see Kolk et al. (2008) for a recent assessment of the role of business in different forms of partnerships.

SELECTED NESTLÉ PROJECTS RELATED TO MDG 8 (“DEVELOP GLOBAL PARTNERSHIPS“)

Project	Country	Description	Area	Size	Partners
1st Job	Brazil	Creating apprenticeships and jobs in the catering business	Education	large	Government
Centro Cultural de Araras	Brazil	Sponsoring a national project contest to preserve cultural assets; construction and restoration program for establishing a cultural community centre in the State of Sao Paulo	Culture	large	Local community organization, other Brazilian companies, federal government
Caminhos dos Moinhos	Brazil	Recovering the history of Italian immigration in the south of Brazil, and raising public awareness for the conservation of the cultural heritage in this area; e.g., restoration of mills and construction of bread museum	Culture	large	State government of Rio Grande do Sul
Scholarships	Chile	Creating partnerships with the scientific community; funding young researchers in the field of food and nutrition; scholarships for agronomist professionals to improve dairy production	Research	small	Universidad de Chile, Universidad Austral de Chile
Vecinos en Acción	Chile	Contributing to obesity and sedentarism reduction, adoption of healthy lifestyles and network creation; education program on nutrition, health and wellness	Health	small	Instituto de Tecnología de los Alimentos, Penolén Community
Moscow Symphony, Mariinsky Theatre Easter Festival	Russian Fed.	Not specified	Culture	large	Not specified
Tsunami reconstruction project	Sri Lanka	Initiating long-term reconstruction projects for tsunami affected communities; e.g., construction of several fishing anchorage community centres	Humanitarian relief	large	No partners given
Healthy Family Power Walking Initiative	Taiwan	Promoting physical activity, public health and hygiene; outdoor event with 35,000 participants	Health	large	Department of Health, Taipei City government
Corporate Citizenship in the World Economy	Malaysia	Helping Malaysian companies to strengthen their corporate citizenship; raising awareness of corporate responsibility initiatives	CSR	very small	UN Global Compact

Note: “Large” size if Nestlé’s financial support exceeds US\$ 100,000.

Source: Nestlé unpublished data; <http://www.community.nestle.com/>