



# **Development Agency Round Table on Corporate Social Responsibility**

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## **ROUND TABLE REPORT**

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## EXECUTIVE SUMMARY

This report records the proceedings and key outcomes of a Bilateral Development Agency Round Table on Corporate Social Responsibility (CSR), held on 28<sup>th</sup> and 29<sup>th</sup> January 2002 and hosted by the UK Department for International Development (DFID) and the Canadian International Development Agency (CIDA). The objective of the Round Table was to assess the role of bilateral development agencies in promoting pro-poor CSR and explore how development agencies could interact with the international business and development communities and developing countries, particularly in the context of preparations for the Johannesburg World Summit on Sustainable Development (WSSD). The Round Table was attended by officials covering CSR from nine bilateral development agencies, as well as observers from six multilateral agencies undertaking CSR initiatives.

The UK Secretary of State, Clare Short, opened the Round Table with an address in which she emphasised the need to think more deeply about the role of the private sector in development, noting that CSR is one entry point to this debate. She outlined some key issues and challenges for WSSD.

Sir Mark Moody-Stuart, Chair of Business Action for Sustainable Development, spoke of the need for a sustainable development approach for business. He stressed the value of partnerships between business, government and civil society, and underscored the challenge of stimulating economic activity in the poorest countries.

The first of two information-sharing sessions addressed the experience of multilateral agencies in order to highlight lessons and issues which could inform bilateral agencies' approaches to CSR. In a second information-sharing session, bilateral agencies outlined their approach to CSR and current activities. From these sessions, four themes were identified which were discussed in breakout groups. Each group identified key issues, lessons learned, challenges and gaps remaining, and possible action steps in the short term (including related to WSSD) and longer term. The four themes were the meaning of CSR for each agency; lessons from partnerships; coordination among initiatives, and moving the CSR debate to the South.

A short questionnaire led to discussion on the importance of CSR for development cooperation, from the perspectives both of those individuals present and of their respective agencies.

Participants made suggestions on activities on which donors could cooperate, both in the run-up to WSSD and outside the WSSD process. These suggestions were collated and participants were invited to indicate their interest as individuals in further cooperation around some of the key themes that emerged. There was strong support for further collaboration.

Options for bilateral development agency activities in the run-up to WSSD were discussed in a final session. There was not time to reach consensus on a collective approach, but there was a strong willingness among participants to explore options for collaboration whilst recognising the diversity of existing development agency approaches.

Two specific types of activities were discussed: first, the option of a statement from bilateral development agencies recognising that government, business and civil society have shared responsibilities in the pursuit of sustainable development, with different resources and contributions to make. Second, a variety of options for events at Johannesburg or at the WSSD PrepCom in Indonesia were put forward.

## 1. INTRODUCTION

This report records the proceedings and key outcomes of a Bilateral Development Agency Round Table on Corporate Social Responsibility (CSR), held on 28<sup>th</sup> and 29<sup>th</sup> January 2002 and hosted by the UK Department for International Development (DFID) and the Canadian International Development Agency (CIDA).

The objective of the Round Table was to assess the role of bilateral development agencies in promoting pro-poor CSR and explore how development agencies could interact with the international business and development communities and developing countries, particularly in the context of preparations for the Johannesburg World Summit on Sustainable Development.

The Round Table was attended by officials covering CSR from nine bilateral development agencies, as well as observers from six multilateral agencies undertaking CSR initiatives. See Annex A for a list of the participants. Other bilateral and multilateral agencies expressed an interest in the event but were unable to attend.<sup>1</sup> The International Institute for Environment and Development (IIED) was appointed to organise, facilitate and report on the Round Table.

An opening exercise invited participants to identify their expectations from the Round Table. These included:

- Information sharing on what other agencies are doing on CSR;
- Discussing what CSR means from a developing country perspective;
- Developing a better understanding of the limits of donor action on CSR;
- Identifying concrete steps to enforce CSR issues, particularly related to conflict areas;
- Learning how other agencies approach partnerships with the private sector;
- Discussing how to ensure that CSR is mainstreamed into agencies' strategies; and
- Creating possibilities for greater cooperation and coherence between donor agencies on CSR.

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<sup>1</sup> Additional bilateral agencies that expressed an interest included Australia Agency for International Development, Department for International Development Cooperation (Finland), EuropeAid Office for Development Cooperation, Ministère de la Coopération (France), Ministry of Foreign Affairs (Italy), Norwegian Agency for Development Cooperation, and Swiss Agency for Development and Cooperation. Additional multilateral agencies included OECD, UNCTAD, UNEP and UNRISD. The names of contact individuals within these agencies are available from Eddie Rich at DFID and Ellen Hagerman at CIDA.

## **2. KEYNOTE ADDRESSES**

The Round Table was opened with two keynote addresses. The key points of each are summarised here.

### **2.1 Rt. Hon. Clare Short MP, UK Secretary of State for International Development**

Development agencies need to think more deeply about the role of the private sector in development. The CSR debate is one entry point into this debate, and this Round Table is therefore welcome.

There is a change in mindset currently taking place in the way international development is viewed within UK politics, and this is reflected in increasing sums being allocated to the development budget. However, there is far greater potential for change if the energy and resources of the private sector can be channelled in line with development goals. For example, the corporate membership of the Ethical Trading Initiative has a combined turnover of £90bn, and this will soon be £120bn as new members join. This dwarfs the total UK ODA budget of £3.6bn. ODA should be deployed to facilitate and provide leverage for greater change towards a safer and more just world through private sector action.

There are some historical examples of socially responsible businesses, but these are the exception rather than the rule. We are now moving into a different era. Large multinationals wish to fundamentally change, for business reasons. One driver is the need to protect reputation, in the context of globalising public opinion. A second is to boost staff morale and to be able to attract employees. A third is greater efficiency through better management.

However, there remain some key issues which need to be addressed. Critics argue that the impacts of foreign direct investment in developing countries are negative. This requires a proper debate. It is true in some cases, particularly with corrupt governments and conflict situations. But the activities of multinational companies may be the turning point in other situations by influencing better governance. Corruption is now firmly on the agenda, but companies still need guidance on it.

There are success stories where business works for development. But the challenge lies with the need to mainstream these initiatives. To bring the resources of the private sector into play, the development community must not shy away from engagement. The development community needs to grasp the opportunity to engage more fully.

WSSD brings a great opportunity but also two major challenges. The first is to bring the development and environment lobbies together, by demonstrating that a sustainable world can only exist if there is a guarantee of development for the poor. Examples are needed to encourage a change in mindset. The second challenge is for people to start seeing the private sector as integral to development and to enable partnerships between the public and private sectors.

In response to a comment that some developing country government officials see CSR initiatives as backdoor protectionism and a way to open up their markets for multinational companies, the Secretary of State stressed that developing country governments are keen to attract foreign investment and that CSR offers a way for them to attract responsible investment rather than encouraging a 'race to the bottom' by offering tax concessions. ODA can help countries create the conditions which attract responsible investment and let the domestic private sector flourish.

## 2.2 Sir Mark Moody-Stuart, Chair, Business Action for Sustainable Development

CSR relates to the core business of every enterprise. It helps to understand what this means for the day-to-day operation of a business by thinking in terms of the concept of sustainable development. This applies both in the Brundtland definition<sup>2</sup> and in corporations acknowledging responsibility for not just the essential economic performance of their business, but for the environmental impact and the social impact, or the overall contribution to society. All three of these legs of sustainable development are essential. To apply them properly a corporation needs a management system, which considers and consults all who are potentially impacted, and which sets and reports openly against performance targets.

At a recent meeting of Business Action for Sustainable Development (BASD), a conclusion was reached that all the best examples of the application of the principles of sustainable development in business involved partnerships. It is the productive fruit of these partnerships, and the way forward, that BASD would like to bring to Johannesburg. We in business make best progress on a practical, sectoral basis.

But a big concern about Johannesburg is that these examples of progress and the good things that are happening are only in areas where there is economic development. One of the main challenges for the WSSD will be how to achieve sustainable development in the poorest countries of the world, and in the poorer parts of other developing countries. The question is how this can be promoted through the involvement of business.

Development in the poorest countries requires economic activity to be stimulated. To ensure that development is genuinely sustainable, partnerships will be needed between businesses, local and national governments, developmental and environmental NGOs, labour organisations and international finance institutions. Apart from development aid, access to developed markets for products from these very poor countries will probably play an important role.

Are there ways in which sustainable development in these very poor countries can be promoted through the involvement of business? The economic development of the poorest countries is of interest to corporations in two ways – the elimination of the instability associated with extreme social differences, and the expansion of markets. So supposing we said that an essential contribution of a responsible business was to grow some part of its activities in a few of the 49 poorest countries. This would not be a request for charity, but for companies to see if they could grow real business in some of these countries. Having reviewed the situation, they might even set themselves targets for growth. These companies could also commit to develop their business in those countries in line with the principles of Sustainable Development, and to do so in line with the OECD Guidelines on corruption.

Such an initiative would require constructive support from NGOs, along with help and cooperation on capacity building or infrastructure from development agencies. Even if such an initiative had modest success (economically, environmentally and socially), the prize would be considerable. We would have a coalition of business, governments and civil society which would demonstrate the positive effects of international trade and foreign investment on sustainable development. We might move a few countries out of the poorest country category, with a reduction of aid dependency. For corporations there would be the

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<sup>2</sup> *Our Common Future*, the 1987 report by the World Commission for the Environment and Development, commonly referred to as the *Brundtland Report* after the Commission's Chair, Gro Harlem Brundtland, defines sustainable development as development that "meets the need of the present without compromising the ability of future generations to meet the needs of others".

benefit of having grown their business and their markets, and perhaps done so in a way that would be positively perceived by their shareholders, consumers and society at large.

### 3. MULTILATERAL AGENCIES' INITIATIVES ON CSR

The first of two information-sharing sessions addressed the experience of multilateral agencies in order to highlight lessons and issues that could inform bilateral agencies' approaches to CSR. The session started with a presentation by IIED, which outlined a twelve-point typology of initiatives, drawing on the background paper on multilateral agencies' initiatives (see Annex B).

This introduction was followed by a round table of questions and comments from participants from bilateral agencies on how they felt they could learn from the experience of the multilateral initiatives.

One set of questions related to **coordination between initiatives**. A number of participants felt that they could learn from multilateral agencies' approaches to ensuring coherence and coordination, and on sharing information between agencies. They also raised issues related to how the boundaries of responsibility for dealing with CSR issues can be defined, both within and between institutions. Some participants asked for clarification on how particular initiatives relate to each other.

A second set of questions related to the **best way to build on current initiatives**. How could the excellent tools coming out of the multilateral initiatives, eg Business Partners for Development Partnerships work and the OECD Guidelines, be broadened across sectors and companies? And how to ensure implementation and compliance in relation to voluntary initiatives?

A number of questions related to **developing country perspectives**. Particularly, how discussion on CSR and engagement with stakeholders through initiatives can be taken to the South and made more 'bottom-up', and how the strategic involvement of businesses in developing countries can best be ensured. Other questions related to the impacts of CSR initiatives in developing countries – namely how to get past Northern reputational drivers to ensure that pressure on companies is in line with their real impacts and priorities in the countries in which they operate, and how to ensure that CSR initiatives such as supply chain requirements are not a barrier for exporters, especially SMEs. What experience do multilateral agencies have in a) supporting companies in developing countries, including SMEs, to meet these demands and b) involving them in setting standards?

A fourth topic area related to the role of donors and lessons learned regarding the **role of multilateral agencies as funders** of CSR initiatives. In particular, how can initiatives move beyond a model in which the multilateral agency is essentially a provider of subsidies for responsible business, to one in which companies themselves make a direct contribution? And how can donors ensure that their funds are spent in a socially responsible way?

A final set of questions related to **selecting and managing partnerships**. What lessons have been learned about the role of sectoral groupings and industry associations – and who speaks on behalf of individual businesses? How should agencies decide which companies they should work with, and on what terms? What lessons can multilateral agencies offer on engaging with civil society in developing countries?

Each of the representatives of multilateral agencies was invited to respond to these points and to offer some key lessons for bilateral agencies from their experience.

### **ILO (Janelle Diller)**

ILO is different to many other agencies as it is a public-private partnership itself, with part of its membership being countries and the rest representatives of employees and employers. Engagement at local level in developing countries is built into its work. The ILO sets standards based on universal values, and roots these through development work in developing countries. ILO has worked with local partners, for example on child labour, to ensure that buyers do not shift to other suppliers when they implement initiatives.

There is a great deal of coordination between many of the multilateral initiatives – for example, the labour elements of both the OECD Guidelines and the Global Compact are taken from the ILO MNE Declaration.

Key lessons for bilateral agencies include:

1. There is an urgent need to adopt a global minimum threshold of values that define CSR.
2. Complementarity between initiatives is a necessary goal, to avoid competition.
3. On deciding whether or not to deal with particular companies, there is a threshold below which agencies should not engage, but this needs to be defined. Bear in mind that companies change, both for the better and the worse.

### **IFC (Dan Siddy)**

On coordination between agencies, bilaterals could make use of and learn from the formal and quasi-formal institutional structures set up by the multilateral financial institutions, such as the quasi-formal biannual gathering of the Multilateral Financial Institutions Environment sub-group. There was also a top level World Bank Group meeting held two years ago, which suggested the creation of task forces to harmonise policies, including on social and environmental issues – this is still pending.

Bilateral agencies could usefully work on creating the enabling environment for CSR and responsible FDI. They could help to promote SRI in emerging markets to reward domestic industry where it meets social and environmental standards, by working with SRI experts and the private sector to develop SRI vehicles.

### **UNDP (Casper Sonesson)**

Coordination at the UN is a challenge, but the Global Compact has been a good forum for coordinating UN work on CSR. There is also a UN working group on partnerships with businesses, which meets twice each year. UNDP has a lot of experience with partnerships for CSR, which has highlighted the following lessons:

1. Agencies should always relate CSR to their own objectives, rather than being seduced by peripheral issues.
2. Agencies should clearly define to the business sector what agencies can bring to the table and what their agenda is.
3. Agencies should build internal capacity, to enable them to deal with CSR and manage relationships with the private sector.
4. Clear guidelines and policies are needed to ensure neutrality.
5. Partnerships are best when they are multi-sectoral – so bring the business sector into broader relationships with other actors including developing country governments and NGOs.

### **World Bank (Nigel Twose)**

On risk assessment tools for partnerships, the Business Partnership and Outreach Group carries out a risk assessment for any World Bank initiative. Reputational risk is an issue for the World Bank. In the past a screening device has been used to define whether the Bank should work with particular companies, but this will shortly be superseded with the award of a new contract to provide reputational information to the Bank and five UN agencies. It is possible that bilateral agencies could join this scheme if it is successful.

The risk mitigation approach that the Bank uses when assessing private sector partnership proposals is summarised in the following two documents:

Briefing Note No. 4: Business Partnership: Risk Assessment, Mitigation & Management (<http://www.worldbank.org/business/files/note4.pdf>)

Partnership with the Private Sector: Assessment and Approval (<http://www.worldbank.org/business/downloads/68814.pdf>)

Although some representatives from bilateral agencies stress that colleagues and businesses are asking for easily accessible information on the business case for CSR, there is no need for additional stand-alone initiatives on proving the business case for CSR as there is already enough information on this (refer to Margolis J. & Walsh J. 2001, *People and Profits: Evidence of the Link between Corporate Social and Financial Performance*, Lea). What is needed is a greater recognition of core competencies of potential partners in CSR initiatives, particularly through fuller engagement with developing country governments, companies and NGOs. Bilateral agencies each have good links with particular countries, which could help in this regard. It would also be useful to develop more dialogue with companies and NGOs in donor countries on CSR, to help those that are 'pro-partnership' feel less exposed. Finally, bilateral agencies should look to the recommendations of the final report from Business Partners for Development for guidance and inspiration; this is due in March. These emphasise the need to increase developing country engagement with the CSR agenda, and suggest ways forward on this.

### **UNIDO (Wilfried Luetkenhorst)**

UNIDO works through a business partnership approach, learning from pilot projects to inform work on conceptual issues. It has commissioned a study on CSR and implications for UNIDO, which will be available soon. Lessons learned from partnerships work include both positive and negative aspects.

UNIDO's project with the Indian automotive component industry has demonstrated the value of multi-sectoral and multi-partner approaches, including research institutes and governments rather than simply engaging with leading multinational companies. It has also shown that initiatives are most successful when there are no subsidies involved – all participants should pay their own way. It is crucial to clarify expectations, values and funding issues right from the start – and bear in mind that partners and their expectations can change over time. There has been insufficient attention paid to national companies as champions and role models to make the CSR case credible domestically in developing countries. Partnerships should be sought which include domestic first tier suppliers. It can be difficult to keep multi-stakeholder partnerships dynamic – if they are subjected to rigid procedures and formalised structures (e.g. by governments), they tend to lose the key advantage of flexibility and a capacity for quick responses.

### **UN Global Compact (Denise O'Brien)**

The Global Compact is in effect a visible front-end initiative promoting the work of the ILO, UNEP, UNDP etc. These multilateral initiatives are complementary and not in competition with each other. The Global Compact promotes dialogue in partnership with UNDP and others, both in the North and in developing countries.

To the extent that there is an issue about CSR being seen as protectionist in developing countries, it is generally governments, and not companies, that view it this way. Agencies should be seeking ways of building support for CSR in developing countries, for example by demonstrating positive gains in market access.

Bilateral agencies should work with NGOs as well as business. Multi-stakeholder partnerships offer exciting and innovative projects that can explore complex issues, such as the World Bank's Chad-Cameroon pipeline project that is looking at new models for revenue sharing. Agencies should be realistic about national contexts, but have the courage to take risks.

It is crucial to look for initiatives that can complement other agencies' work as well as private sector initiatives and FDI. ODA can be used to build the capacity of governments so that they can engage fully with other partners.

#### **4. BILATERAL AGENCIES' INITIATIVES ON CSR**

In a second information-sharing session, bilateral agencies outlined their approach to CSR and their current activities. Some of the bilateral agencies had provided a brief and informal summary before the Round Table and many of the presentations referred other participants to these for more detail. These papers, as well as a paper provided by Australia (who were unable to attend the Round Table), are available in Annex C. Below is a brief summary of each of the presentations made.

##### **Canada (Ellen Hagerman)**

Ellen highlighted a number of projects that are described in more detail in the country summary paper. A Canada-India partnership between financial institutions is being developed to promote linkages between ODA and FDI. Canada is working with the Confederation of Indian Industry (CII) to promote environmental awareness among the Indian private sector, and to explore possibilities for developing a regional network on CSR, which may be replicated in other regions. Canada intends to co-fund a World Bank Business Partners for Development project aimed at strengthening developing country governments' engagement with CSR.

CIDA is undertaking an internal assessment of its activities on CSR, and is working with other government departments to develop a policy framework for activities related to the private sector, sustainable development and WSSD. Private sector engagement with the WSSD process is being encouraged through a newsletter targeted to Canadian companies. CIDA is collaborating with Environment Canada to organise a G8 meeting in March 2002 on 'the role of government in advancing environmental sustainability through the private sector'. CIDA is also exploring the concept of a training and toolkit on CSR and conflict for the use of embassy staff.

##### **Denmark (Henrik Larsen)**

Denmark has worked on many issues related to CSR but has not labelled them as such. Policy on CSR is integrated into the overall development assistance strategy. Denmark has developed a plan of action for the support of business development in developing countries. This is based on the need for responsible business and a commitment to this from the business sector in both the industrialised and developing countries. There is a focus on involving Danish businesses as partners in development cooperation.

Denmark places an emphasis on working at multilateral level, through the UN and OECD, and stresses the need to combine initiatives at regional and national levels with those that are global and/or multilateral. It is crucial that CSR does not present new market access barriers to developing countries, and this should be kept strongly in mind. It is increasingly important to integrate CSR into all aspects of development cooperation.

##### **Germany (Hajo Rabe & Katja Suhr)**

The Centre for Cooperation with the Private Sector is a department within GTZ. It has touched a nerve among the German business sector, attracting a significant number of applications for assistance in developing partnerships with businesses and business associations in developing countries. To date over 250 projects have been approved in a 3-year pilot phase; the second phase of work is now starting. Projects are up to a maximum value of €200,000, and require matching funds from the private sector. These projects are particularly relevant for SMEs, and often relate to training and education. Companies appreciate quick feedback from GTZ in response to their applications; an initial response is usually given within two weeks. Motivations for companies to get involved differ, but often relate to perceived benefits through marketing, PR and insuring against reputational risk.

GTZ's Agency for Market-Oriented Concepts (AgenZ) carries out other work related to CSR, including codes of conduct, social and environmental standards and Fairtrade. It aims to mainstream CSR in relation to developing countries, and is developing a strategy to achieve this. It has significant experience of functioning projects and can advise companies in their planning and implementation activities in developing countries.

### **Netherlands (Wiebe Anema)**

CSR relates essentially to voluntary initiatives, going beyond the essential minimum of adhering to legal requirements. But given poor governance structures in developing countries, CSR can help to go further than this – companies operating in developing countries should be expected to make an extra social effort. The OECD Guidelines are a good basis for action. As of January 2002 it is mandatory for companies applying for specific governmental subsidies or contracts to sign a statement that they will try to act in accordance with the Guidelines. All companies are subject to laws against corruption.

The Netherlands held a conference on CSR in November 2001, and now recognises the need to broaden this discussion to developing countries. This is best done in coordination with other agencies. The current level of dialogue in developing countries differs. It is crucial that CSR should not lead to new forms of protectionism.

The debate on CSR should not be restricted to social and environmental issues, but should also encompass key economic issues including technology transfer, competition and taxation. The Financing for Development process is also significant.

### **Sweden (Henning Envall & Elisabeth Löfvander)**

Sweden is working on a national initiative with companies, called the Swedish Social Compact. It is also involved in discussions at the OECD on tackling perverse subsidies.

Issues around standards and labelling have also been prioritised. In the long run, environmental and social criteria will become more significant for consumers. SIDA is concerned about the proliferation of labels and is supporting a project involving various certification bodies that aims to promote coherence between their social and environmental criteria.

Other work so far on CSR has been with Swedish importers and importers' associations. For example, the textile importers' association has issued a guide for importers.

### **United Kingdom (Eddie Rich)**

The UK Government's second White Paper on International Development "Making Globalisation Work for the Poor" noted that the requirements for systematic poverty reduction involved both growth and equity. Together, these concepts relate closely to CSR. Given the magnitude of private investment flows to developing countries compared with ODA, and the potential impetus for sustainable development that this gives, CSR can have a big impact.

DFID sees its role as addressing the market failures that prevent socially responsible business practices systematically being implemented. It aims to achieve this by stimulating and supporting the key market drivers, i.e. the enabling environment and regulators, the private sector, civil society and consumers.

Activities include:

- helping developing countries to develop an attractive investment climate through the Poverty Reduction Strategy Paper processes;
- providing guidance on triple bottom line reporting and codes of conduct;
- facilitating partnerships (eg working with Business Partners for Development);
- supporting ethical supply chain management (eg through the Ethical Trading Initiative, promoting improvements without acting as a *de facto* market entry barrier);
- national resource and advice centres; and
- work on business and conflict.

For more details see the summary paper in Annex C.

### **United States of America (Holly Wise)**

USAID considers corporate giving as an important element of CSR. In the USA, foundations, including many built on 'new wealth', are significant. Partnerships between development agencies and others should be based on complementary assets. Donor agencies can offer field-based experience and linkages, government access, but little funding. NGOs can offer community engagement. Businesses can offer technology, research and development, and marketing expertise.

The USA is involved in a number of activities related to CSR. Firstly, on engagement, it has organised a tri-sector conference with business and foundations to discuss relationships; it is looking at the possibility of a CSR conference for the Americas later this year; and it is working on voluntary principles on security and human rights with various partners. Secondly, on incentives, it has developed a State Department award for corporate excellence. Thirdly, on certification, USAID is working with cocoa and coffee manufacturers on child labour. Finally, on partnerships, it is working on public-private alliances in developing countries through the Global Development Alliance (see summary paper in Annex C for details). This will concentrate on three areas:

- economic growth, trade and agriculture;
- global health; and
- democracy, conflict and humanitarian assistance.

### **Key issues identified from the information sessions**

The facilitator summarised a number of recurring themes from the two information-sharing sessions on multilateral and bilateral agencies' initiatives. After discussion, participants refined these themes and prioritised four for further discussion in breakout groups on the second day of the round table. These key themes were:

- The meaning of CSR from each agency's perspective, and its starting point for engagement with the CSR agenda;
- Lessons learned from experience with partnerships;
- Coordination between initiatives, and issues surrounding proliferation of initiatives; and
- How to move the CSR debate to the South and engage with developing country concerns.

Each of these themes was explored by a small group, in order to identify key issues, lessons learned, challenges and gaps remaining, and possible action steps both in the short term (including related to WSSD) and longer term. The presentations from each group are summarised in the following section, along with a note on plenary discussions leading from each presentation.

## **5. KEY POINTS FROM THE BREAKOUT GROUP DISCUSSIONS**

### **5.1 Defining CSR and starting points for development agency engagement**

#### **Key issues**

Given differences in CSR terminology and vocabulary, it is better to think in terms of the purposes of CSR. The group considered the key purposes to be:

- to reinforce governance standards;
- to act as a prerequisite for FDI in developing countries, overcoming market inefficiencies and governance gaps;
- as a means to form synergies between development agencies and the private sector to achieve development/poverty reduction goals. This is based on a shift from 'do no harm' to 'do good'; and
- to encourage responsible corporate actions in their core operations; CSR is not about philanthropy.

#### **Lessons learned**

Developing CSR activities within development agencies is essentially a question of change management. This requires leadership, followed by facilitation, leading to implementation. Often there is resistance at the implementation stage. This can be reduced by:

- taking a 'slowly-slowly' approach;
- having coherent communications and robust arguments;
- using relevant case studies and offering practical guidance;
- avoiding getting hung-up on definitions;
- stop complaining that it's too difficult/complicated – focus on common principles.

#### **Challenges/gaps**

These include guidance on internal change management, effort to identify and prioritise the gaps, doing more work on SRI, and identifying and developing demonstration projects.

#### **Suggestions for ways forward**

- Another development agency meeting to develop a declaration on CSR for WSSD;
- Networking and information exchange among donors – by email or a donor CSR portal;
- Support/training on change management for CSR.

#### **Discussion**

This break-out group's feedback led to a discussion whether development agency approaches to CSR should encompass corporate giving. Holly Wise of USAID thought that development agencies should consider philanthropy a part of CSR, but that agencies should stress that they are helping companies to go beyond philanthropy alone in their approach to CSR. Denise O'Brien, Stephan van Praet and Hajo Rabe commented that a focus on core business operations is the only way to ensure that CSR is internalised in company management approaches and is hence more sustainable. Dan Sidy commented that much philanthropy in a developing country context is non-strategic, which can be problematic. For example, during times of recession the Tata Group's considerable corporate giving is reduced, leaving gaps in services where it has displaced the public sector. Nigel Twose suggested that a good way of looking at this issue is to think of a frontier linking business benefits and development impact. The aim of CSR for development agencies is to harness the drivers of both business benefits and development impact in order to push the frontier forward. In some cases, philanthropy can be positive in this respect.

## **5.2 Partnerships: Lessons from experiences**

### **Key issues**

- Guiding principles for partnerships (which don't necessarily need to be common for all agencies).
- Finding and screening partners.
- Types of partnerships (ie with NGOs or companies; bilateral or multilateral).
- Risk assessment and risk aversion.
- Incentives to create partnerships (internal for agency staff and external through outreach).
- Monitoring and evaluation.
- Bureaucratisation vs. flexibility – the larger the partnership, the more complicated.
- Conflicts of interest and clashes of ideologies (eg on corporate welfare, globalisation).

### **Lessons learned**

- Partnerships take time and need critical mass. Having a number of partners and partnerships helps to convince businesses that they could work with donor agencies.
- There is great potential for partnerships in many sectors in LDCs and emerging markets, as businesses are keen to engage.
- Continuous improvement and refinement are necessary.
- It is impossible to control the risks completely.
- Partnerships with at least three partners are most successful, preferably including a local partner.

### **Challenges/Gaps**

There is a lack of common approaches, guidelines, benchmarking and risk assessment tools for partnerships. There is also a lack of developing country input and ownership.

### **Suggestions for ways forward**

1. Agencies could collaborate on risk assessment and screening, and share corporate-specific data and experiences.
2. It would be useful to establish clear national/organisational contact points to deal with partnerships.
3. Agencies could actively share case studies on partnerships.
4. Agencies should invest in capacity building and share staff training materials on partnerships.

### **Discussion**

Eddie Rich raised the issue of corporate performance incentives and rewards. He asked whether development agencies have a role in influencing corporate culture so that longer-term incentive structures are introduced. One suggestion was for development agencies to form alliances with company executives whose time horizons might allow a longer term view of performance. Hajo Rabe added that for development agency staff too, incentives to engage in partnerships with business are an issue. Katja Suhr suggested that it may be easier to create non-financial incentives, for example using staff exchanges and placements.

Holly Wise commented that education is part of development agencies' role, and that in this context it would be useful if agencies were to explicitly endorse partnerships at strategic and operational level when they are making the case for CSR. She also noted that short time horizons for donors (e.g. working to annual budgets rather than longer strategic plans) can make developing and committing to long-term partnerships with businesses difficult.

### **5.3 Coordination among initiatives**

#### **Key issues**

The proliferation of CSR initiatives, codes, standards and benchmarks is a key issue. Proliferation concerns and confuses companies but it can be positive in the sense that it helps to raise awareness of CSR. Development agencies can act as an information resource.

Given this proliferation there is a need for multilateral and bilateral coordination and strategic frameworks. Multilaterals are strong on strategy, while bilaterals have experience at an operational level – agencies should cross-fertilise.

#### **Lessons learned**

- Creating and enhancing business networks on CSR (Ethical Trading Initiative, Business Partners for Development, Expo tripartite meetings on poverty reduction).
- Acting as mediators and facilitators directly between companies and civil society.

#### **Challenges and prospects for collaboration**

- Develop national strategies on CSR and share drafts with other donors
- Share with other donors experiences on engaging business and civil society and promoting CSR
- Share with other donors information on engagement activities with key multinational companies

#### **Suggestions for ways forward**

In the medium term, agencies could develop case studies of models for promoting CSR, perhaps with external consultants.

In the run-up to WSSD, possible activities include:

- Debating how and who to engage (as partner/mediator/leader with national/developing country/multinational business/civil society).
- Hosting a session within BASD on development agency approaches and activities.
- Gathering agencies together in Indonesia to discuss how to promote CSR at WSSD.
- Facilitating dialogue between business and civil society eg through German Sustainability Lounge.
- Holding national meetings in advance, acting as communications platform to sensitise business and NGOs to CSR.

#### **Discussion**

Discussion following the presentation focused on how best to conceive of CSR. Stephan van Praet suggested that it may be better to see CSR as an underlying principle than as a tool. Nigel Twose responded that it is a tool in that there is a need to persuade country offices that CSR is worth engaging with. Dan Sidy commented that it is important to establish whether CSR is a tool or an ideology. For donors, CSR is a tool to help meet goals, and for business it is a tool to create business benefits. Holly Wise argued that it may be better to speak of incentives and motivation rather than tools, as development agencies do not have the authority to regulate companies. Hajo Rabe concluded that the vocabulary of CSR is crucial, and that donor agencies have a role to play in interpreting this language for different stakeholders.

## **5.4 Moving CSR debate to the South and engaging with developing country concerns**

### **Issues**

- Lack of developing country capacity (government/regulatory and private sector resources).
- Lack of awareness in developing countries – civil society is not making the connection between CSR and poverty reduction, the private sector lacks information on codes etc, and government thinking has not developed far beyond concerns about protectionism.
- The comparative advantage of not meeting northern CSR standards, ie lower costs.
- Resistance to northern and pro-globalisation ideologies; CSR is only part of this.
- Divisive relationship between civil society and the private sector, and also between government and the private sector.
- Barriers to participation at key meetings to engage with CSR.

### **Lessons/challenges**

- Agencies need to take into account developing country perspectives, to develop local ownership and to understand what CSR means in the developing country context.
- There is a need to build on positive experiences.
- Agencies need to engage with all sectors and work to overcome division between them; community engagement is often crucial but companies need to be convinced of this.
- Mentorship by foreign and domestic multinationals can be useful for SMEs.
- A sectoral (industry) approach is often useful.
- Specific tools are needed to cope with regional and national differences.
- There is a lack of tools and information, particularly on human rights and social issues, and there are certain specific issues which need more attention, eg conflict.

### **Suggestions for ways forward**

- Awareness raising through developing the local business case and mentoring.
- Specific capacity building for government, private sector and civil society.
- Develop region- or sector-specific networks, tools and information.
- Facilitate informed participation in meetings and fora for standard setting, negotiations and information sharing, including WSSD.
- Working on the enabling environment, eg policy, legal, regulatory, competition law etc.

### **Discussion**

Discussion following the presentation reflected agencies' and individuals' varying experiences of engaging with developing country stakeholders on CSR.

Wiebe Anema noted that putting too much emphasis on the business case might detract from encouraging a genuine developing country agenda on CSR. Elisabeth Löfvander stressed that exporters are forced to meet standards and codes, and this is a direct business case for engaging. Eddie Rich expressed concern that agencies need to be careful that they are not pushing CSR initiatives that are not actually based on either a business case or a development case.

Ellen Hagerman gave an example from Bangladesh suggesting that businesses and industry associations in developing countries are keen to address national development issues. Katja Suhr agreed that we should not assume that there is little happening on CSR in developing countries. Nigel Twose concurred that there is extraordinarily innovative work being undertaken in places, which is not advertised, and that entrepreneurs in developing countries wish to be brought together with their peers in similar companies from other regions who face similar drivers.

Casper Sonesson suggested that the proper role for donors is to facilitate debate on what local stakeholders see as CSR, and then support what emerges. Elisabeth Löfvander agreed, saying that a needs assessment and local ownership should be guiding principles. Stephan van Praet suggested that donors could share information on principles and approaches for national stakeholders to accept, refine or reject.

Holly Wise reiterated the importance of the enabling environment for CSR in developing countries. There is limited potential for CSR to work if there are few downsides or risks to undertaking irresponsible corporate behaviour. The potential depends on the existing capability of communities or governments to hold companies responsible. Agencies therefore need to tread carefully, not imposing CSR before companies and the environment in which they operate are ready, and being aware of potential harm caused to livelihoods.

## **6. Perspectives on the importance of CSR for development cooperation**

A short questionnaire led to discussion on the importance of CSR for development cooperation, from the perspectives both of those individuals present and of their respective agencies.

The CSR agenda has undoubtedly attracted a lot more attention within agencies in recent years, partly due to the fact that many issues and approaches that existed in individual projects before the CSR debate got going are now being recognised as part of a wider programme of work. This trend is encouraging, and there is some evidence of 'mainstreaming' this area of work within some development agencies.

However, there is still a great deal to be done if the CSR agenda is to become fully integrated in agencies' work. Part of the job of individuals working on CSR is to help other agency staff understand and relate to the agenda. But full integration is hampered by institutional resistance, patchy support, and high workloads for individuals working in the area as they try to get to grips with the diverse issues involved. There is a need to ground CSR policy in operational practice, and to work more closely with key individuals in country offices.

For some participants, the principal innovation of the CSR agenda for development agency practice is its emphasis on the value of partnership with business – most agencies have more experience of working with NGOs than with business.

## **7. How donors could work together on CSR**

Participants were invited to suggest activities on which they felt it worthwhile developing collaboration between agencies. These were divided into medium/long-term activities outside the WSSD process, and shorter-term activities related to the WSSD process. Participants agreed that given the limited time for discussion, the latter should be given priority. Therefore, possible activities outside the WSSD process were suggested and compiled into a list but not discussed any further. However, participants were invited to indicate their personal interest in pursuing future collaboration in relation to particular activities suggested; the results of this exercise have been circulated separately to participants.

### **7.1 Outside the WSSD process**

The activities suggested as possible areas for collaboration among agencies were:

#### **a. Coordination**

This ran through many suggestions as a theme, but some specific suggestions were also put forward:

- Launch a regular consultation group (bilateral and multilateral agencies) similar to Donor Committee on Small Enterprise Development
- Continue exchange on programmes and lessons learned
- Continued exchange of information and ideas to create common approaches

#### **b. Codes/standards/tools and support for developing countries**

- Joint funding of existing initiatives
- Replication of Ethical Trading Initiative
- Spreading tools of Socially Responsible Investment
- Refrain from supporting different forms of ethical labels and standards
- Cooperate in projects supporting developing country exporters' adaptation to CSR
- Support developing country participation in creation of criteria
- Support harmonization of labelling and guidelines

#### **c. Developing Country level cooperation and support**

- Supporting a joint dialogue at DC level
- Look for opportunities to cooperate and coordinate activities at country level
- Developing country private sector and CSR:
  - Creation and support for regional networks
  - Development and sharing of tools, information, etc
  - Support for joint projects
  - Public/private partnerships

#### **d. Southern government capacity**

- Capacity building projects on CSR, e.g. regulatory frameworks, Environment Ministries
- Build on results from World Bank project and develop joint initiatives and donors
- Technical assistance, building regulators' capacity on:
  - Labour
  - Environment
  - Corruption

#### **e. Civil Society and private sector partnerships**

- Promote and provide opportunities for *positive* dialogue and collaboration
- Explore joint projects

**f. Business Case for CSR**

- Synthesized and prepared in a manner that is convincing to the private sector
- Development of promotional/information material

**g. Human Rights and CSR**

- Awareness raising among the private sector
- Development/identification of tools

**h. Conflict**

- Identification and evaluation of existing tools
- Promotion campaign to private sector on conflict prevention tools
- Training of field and embassy staff
- Participate actively in OECD discussions on CSR in conflict
- Economy of war/direct/indirect financing of conflict

**i. Foreign Direct Investment**

- Work with developing country governments
- Explore work to ensure CSR is factored in, e.g. awareness raising, business case, etc

**j. Financial Sector Institutions**

- Work with them as a key mechanism for promoting CSR to link to risk assessment

**k. Socially Responsible Investment**

- Work together on a possible initiative for ethical investment, drawing on lessons of similar initiatives in ethical trade, such as exist in Norway and the UK

**l. Stimulating discussion on mainstreaming of CSR in agencies' own countries**

In addition to this list, Ellen Hagerman offered the possibility of CIDA hosting a follow-up meeting in mid-October 2002 in Ottawa.

Nigel Twose commented that the most useful proposals for collaboration will be those which increase the shared learning curve within this newly created environment of trust between bilateral agency representatives on CSR, for example sharing draft internal policy or think-pieces.

## 7.2 In the run-up to WSSD

Participants suggested the following activities on which bilateral agencies could cooperate in the run-up to WSSD:

### a. PrepCom/WSSD Events

- Awareness raising activities on CSR at WSSD, e.g. demonstrating the business case
- Presentation to BASD group and NGO concerns at WSSD Prepcom (Indonesia)
- Announcement of some initiatives at Johannesburg, e.g. partnerships and developing countries
- Try to ensure that Southern views/experience of CSR are reflected at Johannesburg: seminar? Publication? Participation?
- Have PR event on CSR in Johannesburg, for example in the 'German sustainability lounge' (which will be a communication platform for government/business/NGOs)
- Donor round table (with prominent business, government and/or NGO partners)
- Lobbying delegations to insert language on CSR
- Negotiate an agreed line in Ministerial Declaration, e.g. 'that the Ministers agree that there is an important role for development agencies in developing countries'

### b. Information Exchange and Networking among Bilaterals and Multilaterals

- Build on the links developed during this Round Table
- Monthly electronic update
- Intensive information exchange on initiatives – perhaps leading up to a donor meeting
- Prepare compendium of relevant initiatives/programmes and donor-state complementarities

### c. Southern Networks/Linkages/CSR Leadership

- Co-finance regional CSR centre
- Collectively focus on a few core countries for South CSR growth/leadership
- Supporting South-South linkages on CSR
- Regional networks on CSR and developing countries

### d. Analytical Paper on CSR and poverty and developing country concerns

- Preparation of some kind of analytical paper in response to G-77 concerns that CSR is another form of protectionism
- Preparation of a think-piece linking CSR to poverty reduction

### e. Linking up with multilateral initiatives

- Support OECD principles as discussion basis on CSR
- Getting governments involved in Global Compact policy dialogues

These activities were discussed in the final session of the Round Table. A variety of objectives for such activities were identified. These ranged from presenting a coherent message on the role of donors in promoting CSR; through developing new partnerships and engagement with governments, businesses and civil society organisations both in the North and the South; to facilitating an ongoing process of collaboration on CSR beyond WSSD.

There was not time to reach consensus on a collective approach, but there was a strong willingness among participants to further explore options for collaboration whilst recognising the diversity of existing development agency approaches.

Specifically, two specific types of activities were discussed: first, the option of a statement from bilateral development agencies recognising that government, business and civil society have shared responsibilities in the pursuit of sustainable development, with different resources and contributions to make. One multilateral agency observer commented that such a commitment could mark a sea-change from the polarised atmosphere that had marked the run-up to the 1992 UN Conference on Environment and Development.

Second, a variety of options for events were put forward, whether at Johannesburg itself, or at the WSSD PrepCom in Indonesia. Deciding on the form that any event might take would, for any agency, depend on detailed objectives and audiences.

CIDA and DFID expressed strong commitment to organising an event to show-case 'best practice' development agency activities on corporate social responsibility activities. Other participants too spoke to the value of an event or forum that could show-case or 'celebrate' activities that development agencies were already involved in, recognising that these are often imperfect and a learning process and inviting feedback. This approach would recognise that the best way to initiate interest and action on CSR is to demonstrate that practical steps are being taken.

Another distinct option might be for development agencies to take the lead in organising an event that could demonstrate more generally the benefits of activities inspired by the corporate social responsibility agenda to a broader audience, including sceptics. Participants acknowledged the need to directly address the concerns of developing countries in relation to CSR.

A range of options that could involve a more structured approach to obtaining feedback and input on development agencies' CSR priorities and activities was also mooted, though some participants stressed that WSSD preparations did not offer the most appropriate opportunities for this kind of engagement. Participants' comments pointed to a consensus that agencies should not work solely with the Business Action for Sustainable Development Group. It was also suggested that agencies could aim to hold a number of events serving different purposes or building upon each other, rather than a single event.

Finally, a number of participants highlighted existing opportunities for engagement in WSSD preparations more generally. These included the following:

- a Global Compact dialogue on sustainable development in June;
- BASD/UNDP collaboration on examples of best practice on partnerships and CSR;
- a planned German 'Sustainability Lounge' in Johannesburg as a forum for dialogue; and
- a BASD meeting in March.

It was agreed that participants would follow up bilaterally on these possible opportunities.

DFID and CIDA agreed to continue to assess possibilities for events in the run-up to WSSD. A note on the WSSD context in relation to a possible donor event, and a summary of CSR-related outcomes of WSSD PrepCom II, are included in Annex D.

## **8. Closing comments on the Round Table**

Participants commented on how useful the Round Table had been in laying the foundations for future collaboration between agencies on CSR, and that the discussions on potential areas for collaboration had got further than many had expected.

## ANNEX A: Round Table Participants

### Bilateral Agencies

Country	Name	Organisation
Belgium	Stephan van Praet	Cabinet of Development Cooperation
Canada	Ellen Hagerman	Canadian International Development Agency
	Beth Richardson	Canadian High Commission, London
Denmark	Henrik Larsen	DANIDA, Ministry of Foreign Affairs
Germany	Katja Suhr	GTZ Agency for Market-Oriented Concepts
	Hans-Joachim Rabe	GTZ Centre for Cooperation with the Private Sector
Japan	Aiichiro Yamamoto	Japan International Cooperation Agency
Netherlands	Wiebe Anema	Directorate for Sustainable Economic Development, Ministry of Foreign Affairs
Sweden	Elisabeth Löfvander	Swedish International Development Cooperation Agency
	Henning Envall	Department for International Trade Policy, Ministry of Foreign Affairs
UK	Eddie Rich Lucia Wilde	Department for International Development
	Ed Mitchell	Dept of the Environment, Food and Rural Affairs
USA	Holly Wise	US Agency for International Development
	Gwen Pascoe	US Embassy, London

### Observers from multilateral agencies

Agency	Name	Department
IFC	Dan Siddy	Social and Environmental Development Dept
ILO	Janelle Diller	Multinational Enterprises Department
UNDP	Casper Sonesson	Division for Business Partnerships
UNIDO	Wilfried Luetkenhorst	Private Sector Development Branch
World Bank	Nigel Twose	Business Partnership and Outreach Group
UN Global Compact	Denise O'Brien	Economic Affairs Officer

#### Facilitator:

Halina Ward, Director, Corporate Responsibility for Environment and Development, IIED

#### Rapporteur:

Tom Fox, Research Associate, Corporate Responsibility for Environment and Development, IIED

## **ANNEX B: Overview of multilateral agencies' initiatives on CSR**

This overview has been prepared as a background document for a Round Table on Corporate Social Responsibility (CSR) to be held on 28<sup>th</sup> and 29<sup>th</sup> January 2002 and hosted by the UK Department for International Development (DFID) and the Canadian International Development Agency (CIDA). The objective of the Round Table is to assess the role of bilateral development agencies in promoting pro-poor CSR and explore how development agencies could interact with the international business and development communities and developing countries, particularly in the context of preparations for the Johannesburg World Summit on Sustainable Development. The Round Table will be attended by officials covering CSR from bilateral development agencies, together with observers from several multilateral agencies undertaking CSR initiatives.

The International Institute for Environment and Development (IIED) has been appointed to organise, facilitate and report on the Round Table, and to prepare this overview of multilateral agencies' activities related to CSR. The paper is intended to serve as an indicative guide to the range of initiatives under way, rather than a comprehensive review. The following introduction identifies some of the key features of the various initiatives, particularly with respect to the interests of bilateral donor agencies. This is followed by a brief summary of the relevant activities of each of the following multilateral agencies:

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• United Nations Development Programme (UNDP)	28
• United Nations Environment Programme (UNEP)	30
• Organisation for Economic Cooperation and Development (OECD)	32
• United Nations Industrial Development Organisation (UNIDO)	34
• World Bank Group (WBG) including the International Finance Corporation (IFC)	36
• United Nations Research Institute for Social Development (UNRISD)	40
• United Nations Global Compact	41
• International Labour Organisation (ILO)	43
• United Nations Conference on Trade and Development (UNCTAD)	45

## **Key features of multilateral agencies' initiatives**

This introduction highlights twelve distinguishing features of the various initiatives described in this paper. The aim is to highlight lessons and issues which may inform bilateral agencies' approaches to CSR.

### **1. Southern focus**

Given the multilateral basis of the agencies implementing the initiatives outlined in this paper, it is clear that many have international coverage. However, a distinction can be drawn between initiatives which focus primarily on the North, those which are global, such as the Global Compact, and those which have an explicit focus on developing countries. The latter include much of the work of UNCTAD and the World Bank Partnership and Outreach Group, as well as the work of UNDP, UNIDO and UNRISD.

### **2. Poverty focus**

While many of the multilateral initiatives address the impact of business in the South, there are fewer which have an explicit focus on poverty alleviation. Examples of initiatives that do have this focus include the World Bank's *InfoDev* project and UNDP's support for micro-enterprises in Kazakhstan, as well as its work on building a consensus on how to fight poverty in Panama.

### **3. Opportunities for bilateral donor involvement**

Some initiatives already involve individual bilateral agencies, and others may offer opportunities for greater involvement, either at strategic or project level. For example, some bilateral agencies are involved in a World Bank/IFC project on strengthening developing country governments' engagement with CSR.

### **4. Lessons for bilateral agencies on pro-poor CSR**

Many of these initiatives offer valuable learning opportunities for bilateral agencies and their strategies on CSR. For example, some offer lessons on mapping the boundaries of responsibility and influence between business and government, and the role that individual governments can play in promoting CSR in developing countries. Examples here include the OECD Guidelines and UNDP's work in Chile to promote dialogue on the roles and responsibilities of business in development. Others highlight the need for measures to ensure that CSR initiatives do not harm the prospects for sustainable livelihoods in the

South, for example by raising barriers to market access. These include research at UNCTAD, UNRISD and UNIDO.

### **5. Southern business focus**

Some initiatives, such as the OECD Guidelines, address issues related to the activities of multinational enterprises in the South, and may engage with stakeholders of those enterprises as a result. Others have a specific focus on engaging the southern business community in CSR issues and promoting dialogue in the South on CSR. These include UNDP work in Chile, UNIDO's Technical Cooperation projects, and the Country Outreach programme of the Global Compact.

### **6. Level of strategic involvement of business**

Many of the initiatives involve engagement with individual businesses or industry associations. However, the type and level of engagement differs. Some initiatives, such as the Global Compact, engage businesses primarily on a project level, as agents of implementation or as signatories to principles of corporate behaviour. Others engage businesses at a more strategic level, involving them in the development and direction of the initiative. Examples include the clusters of Business Partners for Development, co-convened by the World Bank Group.

### **7. Level of engagement with civil society**

While some initiatives involve little input from other stakeholders, others are founded on engagement with non-governmental organisations outside the business community, either at strategic or implementation level. For example, the governance structure of the OECD Guidelines for Multinational Enterprises includes formal input from labour federations, and UNDP is working on a human rights project in Venezuela with Amnesty International.

### **8. Extent of sustainable development approach**

Some initiatives are limited to either economic, environmental or social issues. For example, UNIDO's work on Cleaner Production advises companies and countries on improving corporate environmental performance, and UNEP also focuses on environmental issues. Others are broader in approach and attempt to address all three pillars of sustainable development. For example, the Global Compact includes principles on human rights, labour standards and the environment.

## **9. Role of the donor agency**

While the role of the donor agency in some initiatives is simply to provide funding, in many there is a greater level of active participation at strategic or implementation level. Even where the primary role is financing, there may be some other CSR elements, such as the training given by the IFC's Financial Markets Unit on environmental and social reviews.

## **10. Focus on process or outcomes**

Many initiatives focus primarily on implementation, often using a business partnership model. For example, UNIDO's Triple Bottom Line project aims to enhance the ability of medium-sized enterprises in developing countries to comply with requests from their foreign buyers to make technical and managerial changes that would enable them to meet environmental and social standards. However, there is an increasing number of initiatives in which the engagement process itself is a key objective. These include the OECD/World Bank Regional Corporate Governance Round Tables, and the Global Compact's Policy Dialogues.

## **11. Sectoral approach**

Many of the initiatives described are limited to a single industrial sector, in order to develop specific outcomes. These include the UNIDO case studies and UNEP voluntary initiatives on various sectors including the insurance industry, tour operators and the gold industry. Others, such as the Global Compact and the OECD Guidelines are broader and apply to the whole business community, irrespective of sectoral differences. Some of the latter type include sectoral elements and may attempt to develop cross-sectoral learning, for example the Business Partners for Development Knowledge Resource Group.

## **12. Research or practical orientation**

Multilateral agencies often carry out a combination of policy-related research and project-based implementation. For example, the ILO combines work on applying benchmarking tools such as the MNE Declaration with research on the wider effects of foreign investment on social conditions. However, some initiatives, such as UNRISD's project on Business Responsibility for Sustainable Development, focus solely on research.

## United Nations Development Programme (UNDP)

UNDP focuses its development advice in six strategic areas, all of which involve the participation of business:

- democratic governance
- poverty reduction
- information and communications technologies
- HIV/AIDS
- energy and environment
- crisis prevention and recovery

UNDP's Division for Business Partnerships coordinates UNDP's overall relationships with the business sector. Work with business is undertaken at three levels:

**Global** - Establishing coalitions of companies and other stakeholders to collaborate on development issues such as reducing corruption and strengthening the rule of law; facilitating the spread of information and communications technology; and protecting human rights.

**National** - Organising action-oriented dialogues among stakeholders, including business, civil society and government, with the goal of promoting an enabling policy environment for sustainable and broad-based economic development.

**Local** - Supporting select business partnerships based on local priorities, such as small business development and urban environment issues.

Examples of Business Partnership Projects include:

- Formulation of an enterprise law and customs reform in Viet Nam, which has included extensive consultation with the private sector;
- Training of judges and public defenders in human rights in Venezuela, working with an oil company and Amnesty International;
- Helping to establish a Transparency International chapter in Fiji, self-financed through memberships and corporate contributions;
- Improving the policy environment for private sector development in Mongolia, through a workshop with the private sector;
- Working with an Anti-Counterfeiting Coalition of 49 multinational companies with operations in China;

- Working with the Association of Business Executives in Panama to build consensus on how to fight poverty;
- Supporting micro- and small enterprises in Kazakhstan;
- Acting as a catalyst in a dialogue among business leaders, civil society groups and government representatives in Chile on the roles and responsibilities of business in development;
- Establishing pioneering partnerships at global and country levels on Information and Communications Technology for development; and
- Working with the World Business Council for Sustainable Development (WBCSD) to create partnerships with the private sector in Bulgaria, Peru, the Philippines and South Africa for climate change capacity building projects.

### **Global Compact**

UNDP is one of the core UN agencies involved in the Global Compact, performing the role of 'taking it local'. So far UNDP has initiated Global Compact related activities in almost thirty countries. See the section on the Global Compact (page 41) for further details.

More information: [www.undp.org/business](http://www.undp.org/business)

## **United Nations Environment Programme (UNEP)**

UNEP works with business primarily through the outreach programme of the Division on Technology, Industry and Economics (DTIE). It works with representatives of business, large and small, from all parts of the world. Key areas of activity include voluntary initiatives, corporate reporting, environmental management systems and contributing to the Global Compact. UNEP is also working with the International Chamber of Commerce (ICC) on the 2002 World Summit Business Awards for Sustainable Development Partnerships, which aim to bring recognition to effective multi-stakeholder partnerships designed to pursue and achieve sustainable development. It also holds an annual Consultative Meeting with Industry Associations to discuss the world environment agenda, and is working on the GLOBE 2002 meeting, at which the international community will discuss bottom-line issues that are of critical importance to business and the environment.

### **Voluntary initiatives**

UNEP carries out analysis on the types of voluntary initiatives undertaken in order to improve environmental performance and to help achieve sustainability, and the lessons that can be learned from them. It looks at the role voluntary initiatives can play in reducing environmental impacts in key areas such as greenhouse gas emissions. It works with industry to develop sector-specific initiatives to improve their environmental performance. The following initiatives have been created between UNEP and industry whereby companies agree to develop environmentally sound practices along the lines of the Rio principles:

- Financial Institutions Initiative ([www.unepfi.net](http://www.unepfi.net))
- Insurance Industry Initiative ([www.unepfi.net](http://www.unepfi.net))
- Tour Operators Initiative for Sustainable Development ([www.uneptie.org/pc/tourism/industry/toinitiative.htm](http://www.uneptie.org/pc/tourism/industry/toinitiative.htm))
- Global e-Sustainability Initiative for ICT service providers and suppliers ([www.gesi.org](http://www.gesi.org))
- Automotive Industry Initiative (under development)
- Advertising and Communication Initiative ([www.uneptie.org/pc/sustain/advertising/](http://www.uneptie.org/pc/sustain/advertising/))
- Gold Industry Voluntary Code Initiative (under development)

Sharing of experience and information takes place through regular consultations with a wide range of industry associations, multi-stakeholder discussions, publications and guidelines such as Voluntary Industry Codes of Conduct for the Environment, the Role of Voluntary

Programmes in Reducing Greenhouse Gas emissions, and Environmental Codes of Conduct for Tourism. Voluntary initiatives are also integrated into UNEP's cleaner production, ozone protection, energy and other activities.

### **Reporting**

UNEP works to stimulate individual companies and industry associations to report on their environmental performance and the implementation of their voluntary commitments in the form of codes of conduct and charters. Since 1994, UNEP and SustainAbility Ltd have produced various reports on corporate sustainability reporting through its Engaging Stakeholders Programme. UNEP addresses the need for a generally accepted reporting framework through the Global Reporting Initiative. It provides special assistance to small and medium-sized enterprises through the Efficient Entrepreneur Calendar, which introduces environmental performance measures through a month-by-month programme leading to a simple SME environmental report.

### **Environmental Management Systems**

In collaboration with the ICC and the International Federation of Consulting Engineers, UNEP produces the Environmental Management System Training Resource Kit, the Environmental Management System Handbook and the Guide to ISO 14001 for Certification/Registration.

### **Global Compact**

UNEP is one of the core UN agencies involved in the Global Compact. See the section on the Global Compact (page 41) for details.

More information: [www.uneptie.org/outreach/](http://www.uneptie.org/outreach/)

## **Organisation for Economic Cooperation and Development (OECD)**

OECD activities on corporate responsibility are led by the Financial, Fiscal and Enterprise Affairs Directorate. They include the Guidelines for Multinational Enterprises, the Bribery Convention and other anti-corruption initiatives, and the Principles of Corporate Governance. A number of research documents have been produced, including *Corporate Responsibility: Private Initiatives and Public Goals* (2001); *Bribery and the Business Sector: Managing the Relationship* (2000); *Deciphering Codes of Corporate Conduct: A Review of their Contents* (2000); and *Rules for the Global Economy: Synergies between Voluntary and Binding Approaches* (1999).

### **OECD Guidelines for Multinational Enterprises**

The Guidelines, first issued in 1976 and reviewed in 2000, are recommendations addressed by governments to multinational enterprises operating in or from adhering countries (the OECD members plus Argentina, Brazil and Chile). They provide voluntary principles and standards for responsible business conduct, in a variety of areas including employment and industrial relations, human rights, environment, information disclosure, competition, taxation, and science and technology. They are the only multilaterally endorsed and comprehensive code that governments are committed to promoting. They aim to promote the positive contribution multinational enterprises can make to economic, environmental and social progress. The Guidelines are intended to complement and support private initiatives for corporate responsibility. Adhering governments use the Guidelines' review and promotion processes as a forum to stimulate public debate on global business conduct.

The key institutional mechanism for promoting and implementing the Guidelines in each country is the National Contact Point, which is often a government office. This is responsible for encouraging observance of the Guidelines in its national context and for ensuring that they are well known and understood. Furthermore, when issues arise concerning implementation of the Guidelines in specific instances of business conduct, the National Contact Point is expected to help resolve them. The OECD Committee on International Investment and Multinational Enterprises (CIME) undertakes a broad oversight role, in consultation with the advisory Committees to the OECD of business and labour federations, the Business and Industry Advisory Committee and the Trade Union Advisory Committee respectively, and other NGOs.

## **OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions**

This convention entered into force in 1999. It makes it a crime to offer, promise or give a bribe to a foreign public official in order to obtain or retain international business deals. A related text effectively puts an end to the practice according tax deductibility for bribe payments made to foreign officials. The Convention commits the 35 signatory countries to adopt common rules to punish companies and individuals who engage in bribery transactions. So far, 28 countries have been subjected to close monitoring to determine the adequacy of their implementing legislation.

## **OECD Principles of Corporate Governance**

These Principles represent the first initiative by an intergovernmental organisation to develop the core elements of a good corporate governance regime. They were adopted in 1999 by 29 member governments, and in 2000 became one of the twelve core standards of global financial stability and are now used as a benchmark by international financial institutions. The Principles are non-binding and are intended to serve as a reference point for countries' efforts to evaluate and improve their own legal, institutional and regulatory framework.

Since their adoption, the OECD, in cooperation with the World Bank and regional partners, has launched Regional Corporate Governance Roundtables in Asia, Eurasia, Latin America, the Russian Federation and South Eastern Europe. The Roundtables encourage policy dialogue and an exchange of experience between public and private sector experts and decision makers. The OECD and the World Bank have also jointly established the Global Corporate Governance Forum, which is a donor-driven effort to support corporate governance reform at global, regional and local levels.

More information: [www.oecd.org](http://www.oecd.org)

## **United Nations Industrial Development Organisation (UNIDO)**

Recognising the benefits of a constructive goal-oriented cooperation with the private sector in pursuit of promoting sustainable industrial development, UNIDO is increasingly seeking to work in partnership with private sector actors – both from the business community and civil society organisations – and governments and institutions of developing countries.

### **Business Partnerships**

UNIDO has developed a model for cooperation between public- and private-sector actors to improve the quality, efficiency and competitiveness of small and medium-sized enterprises (SMEs) in developing countries. The aim is to develop multi-party partnerships for the joint formulation and implementation of technical cooperation (TC) projects to maximise developmental impact. The Partnership Programme was launched in 1998 with a pilot project aimed at raising the capabilities of SMEs manufacturing automotive components in the western region of India. This project has been extended to include the southern region together with a number of corporate partners. Similar partnership projects have also been launched to promote electronic supply chain management in the Mercosur countries, develop a three-wheeler industry in Nigeria, and increase eco-efficiency, probably in China.

To complement these TC activities, UNIDO has also developed a conceptual framework for its partnership projects. The activities undertaken in this context include:

- An expert group meeting with representatives of business, academia, UN and bilateral agencies in October 2000, and the publication of its proceedings.
- The publication, in September 2001, of a study on the role of partnerships in integrating developing-country SMEs into global value chains.
- Preparing a manual on establishing and maintaining partnerships, to be issued shortly.

### **Study on Corporate Social Responsibility (CSR)**

The trend towards more ethical consumer behaviour is causing the compliance of SMEs in developing countries to global environmental, labour, product and process standards to be monitored ever more closely, and the traceability of company operations within global value chains is gaining increasing importance. UNIDO has therefore initiated a study to analyse CSR-related trends, the approaches and strategies being adopted to comply with CSR requirements, and the implications for the development of SMEs in developing countries and their integration into global value chains. This study will be published by mid-2002.

### **Preparations for the World Summit on Sustainable Development**

UNIDO has supported the preparation of 18 national overview reports on the contribution of industry to sustainable development and on programmes facilitating the transfer of environmentally sound technology. These are intended as inputs into the national assessments that Member States are preparing for the World Summit on Sustainable Development in 2002. UNIDO has also funded one-day industrial stakeholder workshops to solicit the comments of industry and business on the national assessments.

UNIDO is also preparing background material and reports on technology transfer issues and opportunities as inputs for the 2002 global substantive reviews. These include work on case studies with the World Business Council for Sustainable Development, sector-specific surveys in nine developing countries, and a WSSD industrial source book. It has produced a brochure, *Finding Common Ground*, on UNIDO's technology cooperation efforts to reconcile the need for enhancement of export promotion and global environmental protection.

### **Triple Bottom Line (TBL) Project in Asian Countries**

A TBL demonstration project was initiated in 2001 in India, Pakistan, Sri Lanka and Thailand to enhance the ability of medium-sized enterprises in developing countries to comply with requests from their foreign buyers to make technical and managerial changes that would enable them to meet environmental and social standards. In each country, industrial support institutions will work with selected enterprises to improve their social and environmental performance. The approach used will be evaluated and the results presented at WSSD.

### **Cleaner Production and Environmental Management**

UNIDO is seeking to build consensus on cost-effective environmental policies between the private sector, its representative bodies and appropriate political and administrative leaders. It advises on the formulation and implementation of policy, covering environmental management systems, voluntary compliance programmes, standard setting, regulations and monitoring. It seeks to strengthen local capacity through awareness-raising, training, information management and dissemination, and technology transfer. It also offers support in establishing National Cleaner Production Centres.

More information: [www.unido.org](http://www.unido.org)

## **World Bank Group**

At a workshop held in June 2001 on *Corporate Responsibility: Perspectives from the Financial Sector*, World Bank President James D. Wolfensohn stressed the need to transform the Bank into a global leader on social and environmental responsibility for other development organisations and the private sector to follow. He suggested that it is important for international organisations such as the World Bank to assist their client countries in developing capacity for socially responsible investment. He also appealed to business leaders to expand their notions of corporate responsibility beyond earnings to encompass obligations to society at large, especially in developing countries.

### **Business Partnerships**

The World Bank Group is increasingly working in partnership with businesses to maximise the public good effects of private sector investment in developing countries. This work is led by the Business Partnership and Outreach Group. Private sector partnership usually involves multiple stakeholders, including the World Bank Group, one or more private sector entities, and possibly governmental and civil society entities. The aim is to develop sustainable relationships with the private sector which go beyond philanthropy to partnerships which confer business benefits as well as increased development impact. The Bank's approach to partnerships with business is set out in a series of Briefing Notes.

The Bank lists eight reasons for companies to get involved with corporate social responsibility activities with the Group:

- to earn/maintain a local licence to operate and ensure good community relations
- to comply with government regulations, internationally agreed quality standards or social obligation;
- to enhance or rebuild brand image/corporate reputation by developing proactive and sustainable community engagement strategies;
- to recruit and retain best workers;
- to ensure adequate physical infrastructure and human capacity exists to sell and deliver products and services;
- to build/support conducive business environment;
- to manage social, environmental and political risks; and
- to address public accountability issues or market failures.

## **Strengthening developing country governments' engagement with CSR: a combined role for the World Bank and IFC**

The purpose of this proposed project is to improve the impact of corporate social responsibility by advising the public sector within developing countries on their potential roles, and by supporting implementation activities led by IFC clients pioneering sustainability for sound business objectives. The project will work in a maximum of five countries whose national governments wish to explore their potential roles in CSR. It will begin by conducting a short study on examples of successful developing country public sector approaches to creating an enabling environment for CSR activities.

### **Business Partners for Development (BPD)**

BPD is a project-based initiative that studies, supports and promotes strategic examples of partnerships involving business, civil society and government working together for the development of communities around the world. The World Bank Group is a co-convenor in each of its clusters:

- **Natural Resources:** (oil, gas and mining companies) to develop guidelines / systems / structures for dealing with community issues and mitigating risk by optimizing development impact on host communities through tri-sector partnerships. Co-convenors: BP Amoco, WMC Resources Ltd, CARE International and the World Bank Group.
- **Water and Sanitation:** to identify specific lessons learned about partnerships from existing projects which are providing responsive and affordable water services to urban poor and to demonstrate that these can be replicated and scaled up to national and regional levels. Co-convenors: Générale des Eaux (Vivendi), WaterAid and the World Bank Group.
- **Global Partnership for Youth Development:** to identify and share what works in building successful partnerships for youth, the next generation of laborers and consumers. Then to create/work through existing national and global infrastructures to mobilize significant new resources in order to strengthen and scale up best practices in youth development. Co-convenors: Kellogg's, the International Youth Foundation and the World Bank Group.
- **Global Road Safety Partnership:** to reduce deaths, injuries, disabilities and associated social costs of road traffic crashes through collaboration and coordination of road safety activities. Co-convenors: the International Federation of Red Cross and Red Crescent Societies and the World Bank Group.

- **Knowledge Resource Group (KRG)** connects and collects lessons learned on tri-sector partnerships from all clusters. The KRG is co-convened by the Prince of Wales Business Leaders Forum, CIVICUS and the World Bank Group.

Other World Bank Group partnership projects include **the Information for Development Program (infoDev)**, a partnership with IMB, Motorola, Telecom Italia and ICO Global Communications and eighteen governments. It aims to address the obstacles facing developing countries in an increasingly information-driven world economy. It promotes innovative projects on the use of ICT for economic and social development, with a special emphasis on the needs of the poor in developing countries. Finally, the **Roll Back Malaria Campaign** is a global partnership with UNICEF, UNDP, WHO and the pharmaceutical industry.

### **International Finance Corporation (IFC)**

The IFC is the arm of the World Bank Group that promotes private sector investment. It is explicit about a heightened emphasis on becoming a pre-eminent ethical investor, and on supporting corporate social responsibility amongst client companies. It is developing a strategy of engagement with clients which goes beyond the financial transaction to also address social and environmental implementation challenges.

The Environment and Social Development Department assists IFC to develop successful and sustainable projects with low environmental and social impacts. The Department is organised in three units, as follows:

- The **Environmental and Social Review Unit** ensures that IFC-financed projects meet IFC environmental, social and public consultation and disclosure policies and guidelines.
- The **Environmental Projects Unit** acts as a catalyst to identify, develop and structure innovative projects with environmental benefits, and to mainstream those investments within the private sector and IFC. These include renewable energy and clean water supply projects.
- The **Financial Markets Unit** has responsibility for environmental and social review of financial intermediary projects, and provides training to IFC staff and financial markets clients on IFC's environmental and social policies and procedures and on environmental management techniques.

Peter Woicke, Executive Vice President of the IFC, stated in 2001 that the IFC “has an unprecedented opportunity to help harness the energy of the private sector in developing countries to deliver sustainable development by transferring knowledge and best practice alongside our financing.” The IFC is now considering how sustainability principles and key trends should influence its sectoral strategies, project selection and value propositions.

More information: [www.worldbank.org/business](http://www.worldbank.org/business) and [www.ifc.org/enviro](http://www.ifc.org/enviro)

## United Nations Research Institute for Social Development (UNRISD)

UNRISD is an autonomous UN agency engaging in multidisciplinary research on the social dimensions of contemporary problems affecting development. Under its Research Programme on Technology, Business and Society it has run a project on *Business Responsibility for Sustainable Development* since 1997. The project aims to promote research and policy dialogue on issues of corporate social and environmental responsibility in developing countries. It examines the extent to which improvements in corporate environmental management and stakeholder accountability are occurring, and the types of policies, pressures and partnerships that promote change.

The project examines the potential and limits of relying on big business and corporate self-regulation to deal with environmental and social problems in developing countries. UNRISD held a workshop on Promoting Socially Responsible Business in Developing Countries in 2000 in Geneva, and has published reports including:

- *Business Responsibility for Environmental Protection in Developing Countries* (Workshop report)
- *Business Responsibility for Sustainable Development*
- *Corporate Social and Environmental Responsibility: Selected Sources of Information* (Bibliography and websites)

More information: [www.unrisd.org/engindex/research/busrep](http://www.unrisd.org/engindex/research/busrep)

## **United Nations Global Compact**

An initiative of the UN Secretary-General Kofi Annan, the Global Compact was announced at the World Economic Forum in January 1999 and formally launched in July 2000. It calls on companies to embrace nine universal principles in the areas of human rights, labour standards and the environment. It brings companies together with UN organisations, international labour organisations, NGOs and other parties to foster partnerships and to build a more inclusive and equitable global marketplace. The key UN agencies involved are the International Labour Organisation (ILO), the Office of the High Commissioner for Human Rights (OHCHR), the United Nations Environment Programme (UNEP) and the United Nations Development Programme (UNDP).

The Global Compact is not a regulatory instrument, a legally binding code of conduct or a forum for policing management policies and practices. It is a voluntary initiative that seeks to provide a global framework to promote sustainable growth and good citizenship through committed and creative corporate leadership. It asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards and the environment. This means that a company needs to bring about positive change only in those areas that are relevant to its business operations. The principles are as follows:

### **Human Rights**

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. make sure they are not complicit in human rights abuses.

### **Labour Standards**

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labour;
5. the effective abolition of child labour; and
6. eliminate discrimination in respect of employment and occupation.

### **Environment**

7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.

Companies wishing to engage in the Global Compact are asked to:

- issue a clear statement of support for the Global Compact and its nine principles, and publicly advocate the Global Compact;
- provide, once a year, a concrete example of progress made or a lesson learned in implementing the principles, for posting on the Global Compact website.

In order to encourage learning, dialogue, compact initiatives and country outreach, the following initiatives are under way:

1. The Global Compact Learning Forum - working to identify and disseminate lessons learned in the effort to translate general principles into concrete management practices and real internal change.
2. Policy Dialogues - providing a platform for diverse stakeholders to engage in substantive dialogue and develop practical action plans in response to the key challenges of globalisation.
3. Compact Initiatives - promoting specific company and partnership initiatives to advance the nine core principles of the Global Compact and the widely accepted goals of the UN.
4. Country Outreach - extending the scope and breadth of the Global Compact internationally, and engaging new actors and stakeholders throughout the world.

A cooperative framework with the Global Reporting Initiative has now been developed which allows company submissions to the GRI to be considered as submissions fulfilling the participation requirements of the Global Compact.

More information: [www.unglobalcompact.org](http://www.unglobalcompact.org)

## **International Labour Organisation (ILO)**

### **MNE Declaration**

The International Labour Office pursues a programme of activities that promotes the application of the MNE Declaration, a primary voluntary benchmarking tool for good social practice in the context of international investment and multinational enterprise. Fully titled the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, the MNE Declaration was achieved as a result of extensive consultations and negotiation between representatives of governments, employers' and workers' organisations and multinational companies.

The MNE Declaration is the only set of global guidelines agreed and followed up by governments, workers' organisations and employers' organisations that address commitments of multinational enterprises as well as governments and employers' and workers' organizations in such areas as development policy, rights at work, employment, training, conditions of work and life and industrial relations.

In four major areas of activities on the MNE Declaration, the ILO seeks to:

- communicate up-to-date information on country, region, sectoral and international activities relevant to the aims of the Declaration through periodic global surveys;
- enhance awareness of the Declaration through a tripartite Forum for global dialogue, educational tools, seminars, workshops, and other activities at national and regional levels with governments, workers' and employers' organisations and MNEs;
- facilitate the effective application of the Declaration's principles in policies and partnerships between public and private sector parties and in responding to requests for interpretation of the Declaration; and
- advocate the role and effect of the MNE Declaration in international policy relating to investment and development in coordination with other international organisations.

Through its programme on Multinational Enterprises, the ILO carries out research on MNE-related activities in relation to social and labour institutions and conditions at country, regional, sectoral and international levels. The intent is to focus on successful experiences and problem areas in leveraging opportunities presented by MNE operations to realise the conditions of decent work that advance sustainable development. Research covers current trends in MNE activities on topics key to the MNE Declaration at company, national, sectoral and global levels.

In related efforts in the ILO's programme on Management and Corporate Citizenship, a multi-sectoral research project focuses on tools and management systems used by MNEs to manage and report on the social and labour effects of their transnational activities across supply and service chains. Training modules are under preparation explaining how voluntary observance of the ILO fundamental principles (freedom of association, abolition of forced labour, non-discrimination and elimination of child labour) can help enterprises, national and multinational, be competitive.

### **Other relevant activities**

- Enterprise and Cooperative Development Department - runs an on-line database on codes of conduct and periodic ILO Enterprise Forum involving business leaders, entrepreneurs and others.
- Bureau for Employers' Activities - runs meetings with employers, including on CSR issues such as action on child labour.
- Bureau for Workers' Activities - carries out research, training and advice including on implementation of codes of conduct.
- InFocus Programme on Safework - policy and practical research on conditions of work, child labour and health and safety management systems.
- Sectoral Activities Department - tripartite sectoral meetings focusing on contemporary tools and challenges at sectoral level, including voluntary initiatives.
- International Institute for Labour Studies - case studies including on voluntary initiatives.

### **Global Compact**

The ILO is one of the core UN agencies involved in the Global Compact. See the section on the Global Compact (page 41) for further details.

### **Publications**

Relevant ILO publications include the study *Private Initiatives and Labour Standards: A Global Look*, which provides an overview of global developments and activities concerning codes of conduct, social labelling and other private sector initiatives addressing labour issues. It also includes a more detailed summary of ILO activities in this area.

More information: [www.ilo.org/multi](http://www.ilo.org/multi) and  
[www.unglobalcompact.org/un/gc/unweb.nsf/webprintview/ilostudy.htm](http://www.unglobalcompact.org/un/gc/unweb.nsf/webprintview/ilostudy.htm)

## United Nations Conference on Trade and Development (UNCTAD)

The Division on Investment, Technology and Enterprise Development (DITE) is the focal point of the United Nations system for research and data collection on foreign direct investment and transnational corporations. It is responsible of one of the UN flagship documents, the World Investment Report. DITE is also responsible for the analyses of [International Investment Agreements](#), [Investment Policy Reviews](#), the Compendia on International Investment Instruments and the edition of the refereed [Transnational Corporations Journal](#). The basic objective of this journal is to publish articles and research notes that provide insights into the economic, legal, social and cultural impacts of transnational corporations in an increasingly global economy and the policy implications. It focuses especially on political-economy issues related to transnational corporations. The results of these activities are disseminated in various meetings and technical assistance activities.

In 2001 DITE published a paper entitled *Social Responsibility* in its series on issues in international investment agreements (IIAs). This noted that a number of CSR issues including environment and employment issues, development obligations, socio-political obligations and consumer protection have received some attention within the context of IIAs, and others (especially corporate governance, ethical business standards and the observance of human rights) seem to be emerging issues. The paper suggest that the challenge is to balance the promotion and protection of liberalized market conditions for investors with the need to pursue development policies; and that social responsibility obligations are one way to move towards such a balance. Above all, it argues that social responsibility standards must be applied with sensitivity to the realities of local conditions in developing countries and should not be misused for protectionist purposes. In this light, the paper presents a series of policy options in relation to CSR and IIAs.

More information: [www.unctad.org](http://www.unctad.org) and [www.unctad.org/en/docs/psiteiitd22.en.pdf](http://www.unctad.org/en/docs/psiteiitd22.en.pdf)

## **ANNEX C: Bilateral agencies' initiatives and approaches to CSR**

This paper consists of summaries provided by the following bilateral development agencies prior to the Round Table:

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### **Australia**

#### **Poverty Reduction and Sustainable Development**

The Australian aid program's objective is to *advance Australia's national interest by assisting developing countries to reduce poverty and achieve sustainable development*. The aid program's strategy for achieving this objective is based upon 4 pillars:

- promoting inclusive growth
- enabling the poor to increase their productivity
- encouraging accountability of governments and institutions, and
- reducing the vulnerability of the poor.

Each pillar incorporates an emphasis on good governance, recognising its pivotal importance to effective development.

#### **Good Governance Framework**

Good governance is the largest component of Australia's aid program, accounting for approximately 21% of direct aid flows (\$360 million in 2000-01). Australia's governance assistance targets four priority areas:

- improving economic and financial management;
- strengthening law and justice;
- increasing public sector effectiveness; and
- developing civil society.

The aid program's role in strengthening good governance can provide an environment for pro-poor economic growth, improve accountability and provide better access to basic services, resources and decision-making by the poor. It also creates the conditions for development of a healthy and productive private sector which, as the driver of economic growth and improvement in living standards, is central to the achievement of long-term poverty reduction. Development of this enabling environment is arguably the most important consideration in promoting corporate social responsibility (CSR).

The aid program can contribute significantly to the development of a private sector that is efficient, accountable and serves the broader sustainable development interests of developing countries. It does this through support for legal, institutional and administrative reforms, economic and financial capacity building, the strengthening of the rule of law, development of democratic processes and participatory approaches for the delivery of basic services, promotion of sound trade and investment opportunities (particularly in poorer areas), and creation of equitable and efficient taxation systems.

### *Anti-Corruption Assistance*

A key area of focus for Australia's governance assistance, particularly as it relates to the promotion of CSR, is corruption. This assistance recognises the negative impact of corruption on effective government and broader development, as it deters investment and restricts economic growth. Activities include legal and public sector reform, public sector accountability measures (eg independent audit functions), establishing or strengthening channels for public representation (eg ombudsman), and introducing policies that encourage a stronger and more competitive private sector.

### *Corporate Governance*

The aid program also provides limited assistance for a number of programs covering corporate governance, general business knowledge and corporate management issues in order to improve the management capacity of private sector enterprises. This is complemented by Australia's support for activities that promote trade and investment opportunities in developing countries.

### **Industry Code of Ethics**

A new code of ethics governing the operations of Australian firms undertaking activities on behalf of the Australian aid program will be developed in 2002. This voluntary code of ethics will cover areas such as accountability and transparency of operations, rule of law, gender, environment and general respect for the individual in those communities with which Australian firms will work. AusAID will work closely with Australian industry in developing this code, which will complement existing contractual requirements of firms that undertake business on behalf of AusAID.

### **Environmental Protection**

The aid program is also developing a detailed environmental management guide to assist companies undertaking activities funded by the Australian aid program. This is to ensure that all aid activities likely to have environmental impacts are properly assessed and managed. These guidelines are consistent with Australia's *Environment Protection and Biodiversity Conservation Act of 1999*.

For further information on the above, please consult the following documents on AusAID's website ([www.ausaid.gov.au](http://www.ausaid.gov.au))

[Reducing Poverty: the Central Integrating Factor of Australia's Aid Program \(April 2001\)](#)

[Good Governance: Guiding Principles for Implementation \(August 2000\)](#)

[Private Sector Development Through Australia's Aid Program \(January 2000\)](#)

## **Some Examples of Governance Activities that Contribute to Corporate Social Responsibility**

Indonesia Legal Reform Facility: developing functional, transparent, accountable and competent legal institutions and supporting measures to ensure implementation of the rule of law - \$5 million over 2 years.

Royal PNG Constabulary Development Project: as part of this \$57 million project, a fraud adviser will be provided to assist the Fraud squad to work with other law and justice agencies to investigate and prosecute crimes of fraud - \$1.7 million over 5 years.

Philippines-Australia Governance Facility (PAGF): improving the efficiency and effectiveness of Government of the Philippines' policies, programs and projects in meeting their objectives of lower poverty and improved equity, through assistance to government, private sector organisations and broader civil society. Possible areas of assistance include economic and fiscal policies, pro-poor regulatory frameworks, local government, corporate governance and judicial practice. Funding for the PAGF is approximately \$25 million over 5 years.

Thailand Financial Institutions Supervision Project: strengthening the prudential supervision capacity and expertise of the Bank of Thailand through training and exposure to Australia's regulatory environment -\$450,000 over 3 years.

Centre for Democratic Institutions (CDI): established in 1998, the CDI assists in supporting good governance initiatives in developing countries of the Asia-Pacific, in particular the strengthening of democratic institutions. Addressing the broad themes of human rights and anti-corruption, it works with Australian institutions to provide support to developing countries through information exchange, short-term placements and training. The CDI has supported a number of activities covering anti-corruption strategies, strengthening the role of ombudsman, and enhancing judicial approaches and frameworks. Funding for the CDI is \$6 million over 6 years.

Foreign Investment Advisory Service (FIAS): core contribution for the operation of the FIAS Asia-Pacific regional office - \$4.2 million over 7 years.

Eastern Indonesia Investment Development: encouraging both domestic and foreign direct investment into the economically disadvantaged eastern Indonesia region - \$4.7 million over 5 years.

## Canada

### **Overview of CSR Activities at the Canadian International Development Agency (CIDA) Ellen Hagerman, Sr. Policy Analyst, CIDA**

#### **Development Agency Roundtable on Corporate Social Responsibility**

(CIDA and DFID lead)

The issue of corporate social responsibility is garnering increasing profile in the international arena including discussions at Summits such as FFD and WSSD+10. CIDA and DFID are co-hosting a roundtable of donors focused on corporate social responsibility. The objectives of the meeting are to explore the role of development agencies in promoting pro-poor corporate social responsibility, and to explore options for interaction in the context of preparations for the forthcoming Johannesburg World Summit on Sustainable Development. Of particular importance is to explore opportunities for collaboration and the development of a coherent approach to addressing CSR issues both in terms of foreign companies operating in developing countries as well as providing support for CSR initiatives to the private sector in developing countries.

#### **ODA-FDI Study (CIDA Leads as part of Innovation and Partnership Committee work)**

As Foreign Direct Investment (FDI) in developing countries continues to increase over Official Development Assistance (ODA), there are growing expectations that business must systematically address and optimize its contribution across the full spectrum of these economic, environmental and social considerations. There is also widespread recognition of the opportunity for FDI to further enhance its contribution to sustainable development. As part of addressing this opportunity, the potential role of aid agencies and ODA in increasing the social and environmental performance of FDI has emerged as an important consideration. This includes ODA efforts to strengthen institutions and build capacity that contribute to an enabling environment and attractive investment climate for FDI. As well, there are significant leverage points and opportunities for collaboration between the private financial sector, aid agencies and other government actors to enhance FDI's contribution to sustainable development.

CIDA is undertaking a study to identify and explore key Overseas Direct Investment (ODA) leverage points for enhancing social and environmental performance of Foreign Direct Investment (FDI). As part of the study, the Agency plans to engage Canadian and foreign financial sector representatives to review leverage points and identify complementary roles and opportunities of the private financial sector and set the stage for collaboration. The project also aims to establish a pilot partnership initiative to expand this dialogue to the financial sector in developing countries. The pilot partnership will begin between the Canadian and Indian financial institutions.

#### **World Bank Proposal - Strengthening developing country governments' engagement with corporate social responsibility: a combined role for the World Bank and IFC**

The World Bank's *Business Partners for Development* has approached donors including DFID, the Netherlands Development Agency and CIDA to fund a project aimed at strengthening developing country governments' engagement with Corporate Social Responsibility (CSR).

The purpose of the project is to improve the impact of corporate social responsibility by advising the public sector within developing countries on their potential roles, and by

supporting implementation activities led by IFC clients pioneering sustainability for sound business objectives.

To date, little support has been available to build the capacity of developing country governments to participate in CSR initiatives, or to ensure that developing country businesses' practical experience plays a bigger role in helping shape sustainability-related voluntary codes and standards. This proposal highlights a practical way forward for the World Bank Group and other partners to develop such assistance to developing country governments and pioneering companies, exploring the tools and support they may need to maximize their impact. The project aims to build on lessons learned and tools developed through the Business Partners for Development (BPD) initiative from January 1998 – December 2001.

The project will work in a maximum of five countries whose national governments wish to explore their potential roles in CSR. It will begin by conducting a short study on examples of successful developing country public sector approaches to creating an enabling environment for CSR activities.

To date, DFID and the Netherlands have committed funding. CIDA has submitted a request and is awaiting approval.

### **Regional Networks on CSR and Developing Countries**

Increasingly, there are calls for 'greater involvement of business and industry from the developing world' in the dialogue around global sustainability and corporate sustainability. The challenges surrounding the take-up of global corporate sustainability are certain to be central to the discussions at the upcoming World Summit for Sustainable Development in September of 2002.

In order to effectively understand and shape global CSR in a manner that addresses these concerns and thus paves the way for more significant take-up and corresponding benefits, a more substantial and focused dialogue, primarily driven by and focused on developing country opinions, needs to inform the broader corporate sustainability trend – both in the policies and actions of business and governments. The project **goal** is to create conditions for a significant positive impact on the degree of take-up and corresponding benefits of corporate sustainability practices by developing countries, through better engagement, improved understanding of the challenges and opinions of, and accelerated collaboration with developing country businesses.

The exploratory phase of the development of regional networks will be undertaken by the *Canadian Manufacturers and Exporters*. The network would initially concentrate on Asia where there is an interest on the part of business associations such as the *Confederation of Indian Industries* to spearhead this initiative. Steps would then be taken to build on this model within the context of Africa and Central and Eastern Europe. The network would focus on facilitating socially and environmentally responsible, sustainable development-oriented private sector investment, including addressing capacity building and policy development and implementation. The network's development would benefit from the experience of the *Empresa* network of CSR organization in the Americas region. The *Empresa* network serves as a prototype for this proposed global network of CSR organizations, demonstrating the value and contribution of such a network, and is an anticipated partner for the global network.

## **Business Case for CSR - Asian Context**

During meetings with private sector representatives in Canada and in India, representatives repeatedly brought up the need to continuously emphasize the business case, and build a stronger business case. Comments ranged from emphasizing what is already known about the business case to a broader range of companies (including small and medium-size enterprises), to needing to see more macro-economic changes to support emerging dimensions of the business case.

Working in collaboration with the *Confederation of Indian Industries* (CII), CIDA is planning to develop a series of business cases targeted to the Asian context. This project will complement CIDA's activities through Asia Branch as they are presently developing the second phase of a project with CII aimed at supporting its work to raise awareness on environmental issues within the private sector. The business case will also provide a tool to bolster the efforts of a regional network on CSR to provide concrete support to its network members.

## **Internal Scoping Exercise/Inventory of CIDA Activities on CSR**

Although not necessarily labeled as 'corporate social responsibility', CIDA has a long-standing record of dealings with business, with governments and their relations with business, with NGOs who work with or work to influence corporations, and with other actors on activities that are directly or indirectly related to corporate social responsibility. Given this association, CIDA is currently undertaking an assessment of its 'CSR activities' and is seeking the opinions of CIDA employees as to the relevance and most appropriate means of taking into consideration CSR in CIDA's operations.

As part of this exercise, CIDA's Policy Branch is engaging key CIDA representatives in a brief conversation regarding the work they are involved with that could be considered to be associated with corporate social responsibility. To date, 25 interviews have been undertaken with representatives of Policy, Asia, Africa, Central and Eastern Europe Branches as well as CIDA's Industrial Cooperation Unit (CIDA Inc.). We are also expecting that these initial discussions will lead to opportunities for further collaboration and will help to identify the kind of support or information that Policy Branch can develop to help CIDA staff to deal with issues related to CSR. The next stage of the scoping exercise is to prepare a summary of findings and list of potential activities to be undertaken as well as develop a list of people within the Agency who can be part of a core group focused on CSR.

## **Consultation on Corporate Social Responsibility Paper Public/Private Collaboration -**

The Government of Canada has created an ad hoc committee on the private sector, sustainable development and the WSSD. The group was formed to provide senior-level thinking on private sector/WSSD issues. The next meeting will focus on the potential of developing a policy framework that draws together Canadian government activities relating to the increasingly prevalent concept of corporate social responsibility (CSR) and allow for an analysis of potential gaps. This policy paper will focus primarily on international issues, including DFAIT's role as a focal point for the OECD's Guidelines for Multinational Enterprises and emerging work program at CIDA on the potential of CSR capacity development for developing country governments and firms. Environment Canada will articulate the role of government in the environmental component of international CSR discussion. This work is also linked at CIDA to the question of 'financing for development'

and the potential of ODA programming to create local conditions for mutually beneficial foreign investment.

It is hoped that a proposal will be presented to the Prime Minister as a means of encouraging the development of some form of "white paper" similar to Europe's Green Paper. The goal of this paper would be to develop policy coherence on CSR as well as having some form of guidelines for responding to CSR issues in a common and harmonized fashion.

### **Newsletter on WSSD+10 targeted to the Private Sector**

Working in collaboration with Other Government Departments, CIDA will provide a newsletter to the Canadian private sector highlighting some of the issues of importance to them that are emerging from the WSSD+10 preparatory meetings as well as the actual summit. The newsletter will be written in a style that is accessible to the private sector. One of the principal purposes of the newsletter is to engage the Canadian private sector in the WSSD+10 and to encourage their participation.

### **CSR and the G-8**

CIDA is collaborating with Environment Canada to organize a G8 Environmental Futures Forum (EFF) in advance of the G8 Environment ministerial meeting in Banff. The EFF meeting will take place in Vancouver, British Columbia, on March 11 and 12, 2002. The topic of the meeting will be "The role of government in advancing environmental sustainability through the private sector" as the main theme.

It is hoped that the 2002 EFF will provide a venue where G8 experts, as well as invited guests from the private-sector, academia and non-governmental organizations -- can explore the unique role of policy-makers in advancing corporate behaviour that supports environmentally sustainable development.

### **Conflict and CSR (under exploration)**

CIDA is considering the development of a Background Resource Paper aimed at demonstrating how multinational corporations in other conflict zones have successfully responded to conflict-generated humanitarian crises, and proposing possible pathways forward and scenarios for a multinational corporate response. The Embassy staff in Colombia have asked for training on CSR issues as it relates to the dealings with the CSR. Using this as a pilot case, an initial idea is to develop a training and tool kit for use by Embassy staff. A similar tool kit and possible training might be developed for the Canadian private sector operating overseas.

### **Training of Local CIDA Staff on CSR Issues (under development)**

The Department of Foreign Affairs (DFAIT) has begun the development of a course on CSR for mission staff. CIDA is discussing with DFAIT about the possibility of collaborating on developing and delivering a course in collaboration with DFAIT to CIDA staff located in the field.

## Denmark

### **DANIDA - Short summary on CSR-strategy and activities**

#### Strategy

Danida's policy on CSR is integrated in the overall strategy for the Danish international development cooperation, which has poverty reduction through pro-poor growth as its overriding objective. According to this strategy, Denmark will assist in creating necessary conditions for the development of an efficient private sector in a number of developing countries, including the establishment of a well-functioning labour market. Actual activities are designed in such a way as to contribute most effectively to securing increased employment. Other priorities include a safe working environment and acceptable working conditions in accordance with the ILO conventions. In order to secure pro-poor growth both the formal and the informal sectors must be involved. There will also be focus on involving Danish businesses as well as Danish employer and labour organisations as partners in long-term development cooperation.

On this background, Denmark has drawn up a plan of action for the support of business development in developing countries. Amongst other, the implementation of this programme of action is based on the need for responsible and sustainable business development and the need for a commitment to this from the business sector in both the industrialised and developing countries.

#### Activities

*Support of multilateral initiatives primarily through the UN and OECD.*

*Example of bilateral activities:* The Danish Industrialisation Fund for the Developing Countries is a non-profit fund that provides risk capital for investments in the developing countries by Danish enterprises in the form of share capital, loans and/or guarantees. All investments from the fund are subject to appraisal regarding social and environmental sustainability through the use of check-lists on companies code of conduct.

## Germany

### **Germany's Actions for Corporate Social Responsibility**

Corporate Social Responsibility (CSR) has become an important issue in Germany's official development cooperation. The Federal Ministry for Economic Cooperation and Development (BMZ) has launched a number of initiatives over the past two years in order to foster responsible actions by enterprises on a voluntary basis. The Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), as the Ministry's largest implementing agency, is playing a crucial role in setting up and running these initiatives.

The major goal of Germany's development policy in that respect is twofold. First, it aims at creating a growing awareness in the private sector for their social responsibility when working in the developing world. Second, it is geared towards singling out areas of cooperation and launch common projects with the private sector, serving as models for future development cooperation.

## **Promoting CSR has been focusing on the following fields of action:**

- **Raising Awareness**

The German government has initiated a round table with representatives from several federal ministries, enterprises, trade unions and NGOs. The group is formulating codes of conduct for private sector activities in developing countries and is communicating these into the German business world.

- **Introducing Social and Environmental Standards**

GTZ is currently implementing a program to introduce acceptable social and environmental standards in business operations worldwide. The program targets branches of German companies in developing countries as well as local suppliers.

- **Promoting Fair Trade**

GTZ supports various projects to promote certification and labelling of goods produced in developing countries. These projects aim at combining acceptable working conditions in developing countries with international quality standards of products and growing consumer demands for ecologically and socially sound products.

- **Expanding Public Private Partnerships (PPP)**

GTZ is currently implementing some 50 CSR-related projects within its Public Private Partnership programme. In this context, GTZ is working with both individual enterprises and business associations. From shoe manufacturing in India, via flower production throughout Africa, to coffee production in Mexico – GTZ and its private partners are planning, financing and implementing projects on a common bases, sharing both risks and opportunities.

- **Developing Strategies for Sustainable Private Sector Activities**

GTZ has longterm international experience in projects and programmes that take sustainability as a prerequisite for further engagement in a sector. In a number of conferences and workshops GTZ has lined out this experience and gained interest within the business community involved in projects in developing countries.

Against this background GTZ could play a vital role in (1) mainstreaming the ideas of CSR in relation to developing countries, (2) accompanying and advising companies in their planning and implementation activities in developing countries. Above all longterm investment interests can, in our view, only be achieved through integrating aspects of sustainability and social responsibility, be it in relation to healthy employees, a sound environment or a functioning social system. Benefits in marketing and communication to customers and other business partners need to be based on a real success in a triple-bottom-line business approach.

Since CSR is no longer a topic of socially-oriented agencies but has now through globalisation, increasing competition and shorter product life cycles touched the business community on a much broader base, we see potential for stronger cooperation between GTZ and the private sector.

## Netherlands

### **Strategy of the Dutch Ministry of Foreign Affairs on CSR**

The Ministry of Foreign Affairs approaches corporate social responsibility (CSR) in two ways. First of all, its aim is that Dutch companies behave as responsible citizens in all their operations, meaning that they will take in account all social, ecological and economic effects of their operations. The Dutch government regards CSR as part of the core business of an enterprise. Short-term activities, such as sponsoring or charity, cannot be regarded as corporate social behaviour. Besides that, all companies are expected to function according to the OECD guidelines (and to stimulate their direct suppliers to do so too). For those companies operating in developing countries an extra social effort is expected, such as the HIV/AIDS initiative in Ghana. Secondly, CSR will be stimulated through programmes that aim at developing local entrepreneurship in developing countries. The ministry maintains the OECD guidelines for TNCs as criteria for CSR and fulfils its obligations in the National Contact Point, through promoting the guidelines and handling complaints.

To encourage CSR in developing countries, the ministry focuses on initiating tripartite dialogues between companies, NGO's and government so that companies, local and international, can realise what is expected of them. A pilot project in this field has been initiated in Tanzania. Furthermore, a strong civil society is needed to stimulate enforcement and to keep governments and companies alert. The ministry will strengthen local civil organisations through specific programs and projects. The ministry also aims at broadening the discussion of CSR, which is now a typically western discussion, to southern actors (companies, NGO's and governments) and *in* developing countries. By assembling best practices, experiences will be grouped and communicated, with the help of our embassies. The Dutch centre of expertise on CSR that will be functioning later this year will eventually take over this function.

At the moment a lot of attention is given to social and ecological issues. In the Netherlands, as elsewhere, human rights and social and environmental standards form part of the discussion and are seen as crucial. Although they are crucial, one should bear in mind that for the developing countries other issues are also at stake. The transfers of technology, competition or taxability are other important issues that should be included in the discussion. The OECD guidelines focus on more than just social and environmental issues.

One should bear in mind that CSR should not lead to new forms of protectionism. Labelling, for example, should not lead to counterproductive measures, blocking the market entrance for developing countries in developed countries.

To stimulate the development of CSR, the ministries of Foreign Affairs and Economic Affairs have decided to make it mandatory for companies applying for specific governmental subsidies or contracts to sign a statement that they will try to act in their regular business operations in accordance with the OECD guidelines (introduced on 1 January 2002). In the future, criteria will be developed for transfer of knowledge, competition and taxability. Besides that, as of 1 February 2001 corruption, bribing foreign officials by Dutch companies, is officially considered an offence. Finally the Dutch government is developing ways to stimulate ethical investment. This is officially not considered to be CSR, but the attention of the financial market may make it a part of CSR.

## United Kingdom

### **Department For International Development (DFID) Socially Responsible Business Team: Strategy and Activities**

#### Mission Statement

To promote and facilitate business activities that bring economic, social and environmental value to poor people in developing countries.

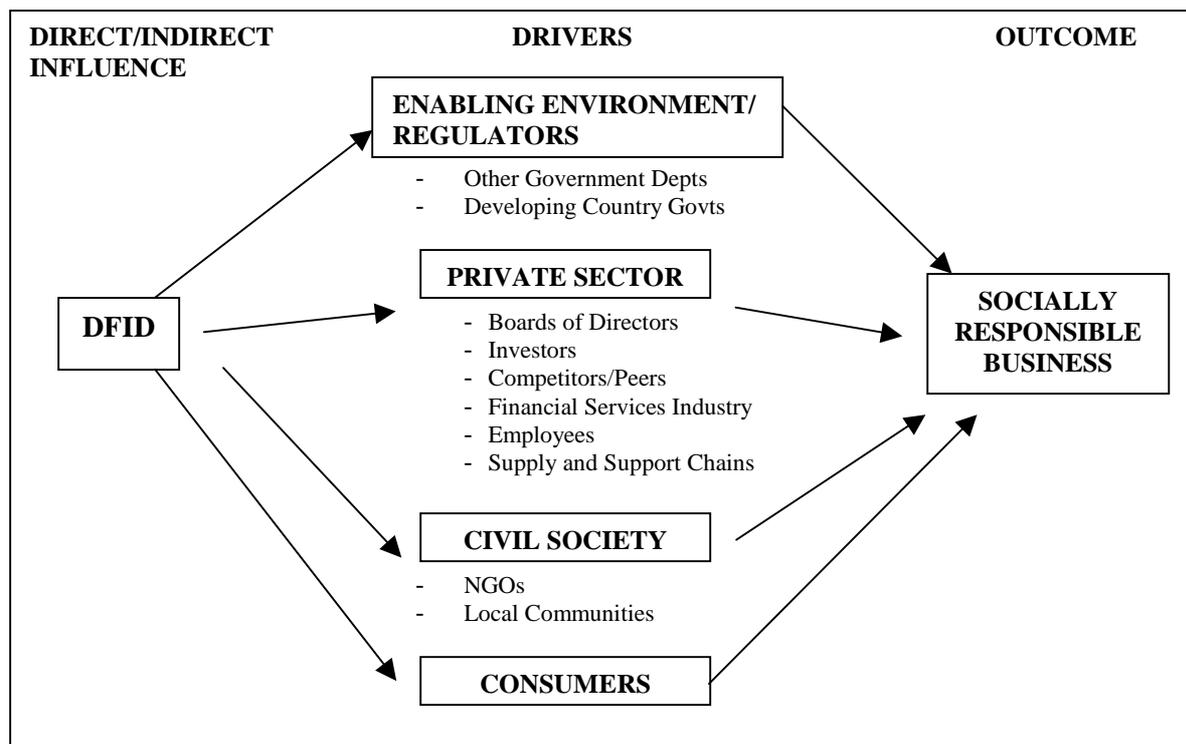
#### Socially Responsible Business Team

The Socially Responsible Business Team (SRBT) is part of the Private Sector Policy Department (PSPD) in the UK Department for International Development (DFID). The SRBT was set up just over one year ago to work on issues relating to corporate social responsibility in developing countries and complements the work of PSPD's other teams that focus on investment, competition and tax policy and financial sector regulation. The SRBT leads in DFID on issues such as ethical trading, codes of conduct, tri-sector partnerships, business and conflict, socially responsible investment, the UN Global Compact and the OECD Guidelines for Multinational Enterprises. It represents DFID at the Interdepartmental Working Group on Corporate Social Responsibility (CSR), although the Department for Trade and Industry leads on the UK Government position on CSR. Other DFID departments lead on fair trade, social labelling, and business and the environment.

#### **The role of DFID**

The role of DFID is to address the market failures that prevent socially responsible business (SRB) practices systematically being implemented. These include lack of, or misleading market and public information and indices; lack of competition; lack of, or misdirected activism; poor management; corruption; lack of business or stakeholder capacity; cost of, or lack of access to, capital; internal company and investor focus on short-term financial returns. We will achieve this by stimulating and supporting the key market drivers of SRB.

#### **DFID's Role in Promoting SRB**



## Overview of activities

### **The SRB team:**

- supports initiatives such as the **Ethical Trading Initiative (ETI)**, **Business Partners in Development (BPD)**, **Business Links Asia** and the **Resource Centre for the Social Dimensions of Business Practice** which are successfully piloting, facilitating and disseminating the development of best practice of Socially Responsible Business tools.
- uses these tools to **influence the agenda/rules** of conduct of businesses and their networks.
- **develops SRB tools** not just for multinationals, but also for the private sectors of developing countries. This will be done through advisory resource centres in developing countries that businesses in country can draw upon for country, sector and company-size relevant resources and information.
- contributes to the development of international guidance on the implementation of standards and strategies, building on the **OECD Guidelines** on Multinational Enterprises and the **UN Global Compact**.
- has completed scoping studies on existing **codes of conduct** and guidance on **triple bottom line reporting** and will work with the **investment community** on projects such as Just Pensions and the London Principles on Sustainable Finance to identify those SRI tools that stimulate equitable and sustainable investment in developing countries, and find ways to encourage them to become mainstreamed in the investment community.
- supports the **World Bank** to develop such assistance to developing country governments and pioneering companies, exploring the tools and support they may need to maximise their impact.
- builds consensus with the World Bank, the UN agencies and the UK Treasury to promote the role of the private sector in the **PRSP process**.
- works with the **other government departments** and **other development agencies** to ensure more coherent and poverty-reducing international action on SRB.
- works through the CARE-DFID Programme Partnership Agreement to promote and **facilitate innovate roles for NGOs** in SRB.
- will develop a **media and consumer awareness strategy** to communicate simply what we expect of business, and to combat false ideas/perceptions.

### **The Ethical Trading Initiative**

The Ethical Trading Initiative is an alliance of companies, non-governmental organisations, and trade union organisations that is identifying and promoting good practice in putting employment standards into action and is working to improve conditions of employment in the supply chains delivering goods to consumers in Britain. Its members do this by implementing, monitoring and providing guidance on a “base code” which is taken from the core ILO conventions of labour rights. They are developing guidance on the implementation of these codes and pilot projects in developing countries are implementing the code and finding solutions to the problems it raises. An increasing number of companies now want to join ETI. ([www.ethicaltrade.org](http://www.ethicaltrade.org))

## **Business Partners for Development**

The BPD programme studies, supports and promotes strategic examples of partnerships involving business, civil society and government working together for the development of communities around the world. The four clusters of the BPD programme aim to demonstrate that tri-sector partnerships benefit the long-term interests of the business sector while meeting the social objectives of civil society and the state by helping to create stable social and financial environments. For example, the Natural Resources Cluster explores the role of tri-sector partnerships in providing answers to the unresolved social management and sustainable development challenges confronting non-renewable natural resource (oil, gas and mining) projects. ([www.bpdweb.org](http://www.bpdweb.org))

## **United States of America**

### **Global Development Alliance, US Agency for International Development Summary of CSR strategy and activities to date**

Public-private alliances, as articulated by USAID's new Global Development Alliance (GDA), are an important business model for development assistance for the 21<sup>st</sup> Century. This initiative will serve as a catalyst to mobilize the ideas, efforts, and resources of the public sector; corporate sector, universities, and non-governmental organizations in support of shared objectives.

The GDA is based on the USAID's recognition of significant changes in the assistance environment. The new reality of development assistance is the multiplicity of actors now involved in US international development activities. No longer are governments, international organizational and multilateral development banks the only assistance donors. Rather, over the past 20 years, NGO's, PVOs, cooperatives, foundations, corporations, the higher education community, and even individuals, now provide development assistance. In developing and transition countries, corporate philanthropy is growing. As a result, the U.S. Government is not the only, or perhaps even the largest, source of U.S. resources being applied to the challenges of foreign assistance and development.

Over the past decade, it has become clear that corporations investing or doing business overseas must be good corporate citizens. As a result, many firms find themselves devoting considerable resources to education, health, family planning, environment and other similar programs that are not part of their core business expertise. In addition, it is in the long-term business interest of corporations to take an active interest in the welfare of the communities and countries in which they operate, and on which they will depend for future markets. Given the expertise of USAID and its NGO partners in implementing social services and long-term development programs, it makes sense to facilitate linkages between these and corporate social responsibility programs.

A small unit in USAID/Washington, the Global Development Alliance Secretariat, is responsible for providing guidance and assistance to the Agency field missions and bureaus in seeking, negotiating and designing alliance activities. The GDA Secretariat reports to the office of the USAID Administrator. In order to facilitate mainstreaming of alliance concepts

throughout the Agency, each activity will be managed by the Agency operating unit most closely identified with the development and objectives of the particular activity.

Global Development Alliance activities will build on the experience USAID has already had in public-private alliances, and will be concentrated on the three pillars of: economic growth; trade and agriculture; global health; and democracy, conflict and humanitarian assistance. The GDA is designed to operate at both the “macro” and the “micro” levels. Strategic alliances can be worldwide and involve dozens of strategic partners. They can also be highly focused and involve only a single country, activity or pair of parties.

To learn more about the GDA, go to USAID’s website at [www.usaid.gov/gda/](http://www.usaid.gov/gda/).

## **ANNEX D: CSR at WSSD PrepCom 2**

Following the Second Session of the Preparatory Committee for WSSD in New York, Tom Bigg, IIED's WSSD Coordinator, noted the following issues that may have a bearing on possible development agency activities in the run-up to WSSD.

It is still unclear what will happen in the preparations for WSSD, but it looks as if negotiation both of detail of the Programme of Action and the development of less formal sustainable development initiatives will culminate at the final PrepCom in Indonesia.

There is considerable interest in 'partnerships' involving civil society and the private sector in delivering sustainable development implementation (perhaps given the lack of momentum elsewhere). The UK has put out feelers for reactions to a model aiming at 'tripartite commitments' and others are exploring similar ideas. These could be significant in fleshing out the proposed 'Global Deal' to be agreed at Johannesburg, which the South African and Danish governments are supporting – again, details are rather sketchy and support is not universal. There is also a lot of interest (particularly among NGOs) in a strong focus on global corporate accountability.

In all of these discussions (and in the WSSD process generally) NGOs/civil society organisations and the private sector have considerable access and influence. While negotiation of text at PrepComs is exclusively inter-governmental, there is constant interaction between non-governmental and government officials – sharing ideas, lobbying, developing strategies for influencing the process, and so on.

This is the backdrop against which work on CSR and donor agencies should be seen. It fits very well with the innovative approaches being discussed. But in order to have an impact, it may be necessary for advocates (governments, NGOs, business) of particular ideas to become more engaged in current debates on the form of WSSD outcomes and the substance.

In this context, it is useful to note that a number of recommendations identified in the key outcome document of PrepCom 2, the Chairman's Paper, are of direct relevance to CSR and development assistance. Excerpts from the paper are listed below to indicate key issues of relevance. The full paper includes other issues which may be of interest, and can be viewed on the WSSD website:

[http://www.johannesburgsummit.org/html/documents/prep2final\\_papers/pc2chmpaper.doc](http://www.johannesburgsummit.org/html/documents/prep2final_papers/pc2chmpaper.doc)

## **Second Session of the Preparatory Committee for the World Summit on Sustainable Development: Excerpts from the Chairman's Paper of direct relevance to CSR**

- Adopt policies and measures in developed countries aimed at changing unsustainable patterns of production and consumption via technological and educational policies which, inter alia: (a) raise consumer awareness of the importance of sustainable production and consumption patterns; (b) improve the role of the media and other public information tools in promoting sustainable consumption and production; (c) provide incentives to industry to adopt cleaner production processes, with technical assistance for small and medium-sized companies; (d) encourage publicly-funded research and development institutions to undertake research on sustainable development; and (e) enhance corporate responsibility and accountability.
- Encourage industry and publicly funded research and development institutions to engage in strategic alliances in order to enhance research and development of cleaner production technologies and accelerate the commercialisation and diffusion of those technologies.
- Encourage industry to adopt voluntary initiatives, including certification, such as ISO 14000.
- Promote voluntary eco-design, eco-labelling and other transparent, verifiable, non-misleading and non-discriminatory consumer information tools, ensuring that they are not used as disguised trade barriers.
- Assist small and medium-sized companies in developing countries and economies in transition, through information and training programmes, to grasp the business opportunities arising from increasing consumer awareness of sustainable consumption.
- Promote regional, cultural and ethical values in carrying out sustainable development initiatives.
- Promote corporate responsibility and accountability through initiatives such as the Global Reporting Initiative and tools such as environmental management accounting and environmental reporting.
- Provide government incentives to the private sector in developed countries to increase the flow of foreign direct investment (FDI) to developing countries.
- Make FDI more supportive of sustainable development and support developing countries in their efforts to create a domestic environment conducive to attracting foreign capital, by providing a stable investment climate, secure property rights and contract enforcement.
- Promote public/private partnerships and voluntary initiatives through which economic actors, particularly multinational companies, are encouraged to assume their social, environmental and economic responsibilities.
- Promote public-private partnerships at the national, regional, sub-regional and global levels geared towards assisting developing countries through provision of financial and technical assistance for productivity enhancement and ecological management.