

Background note on IIED's Business and Sustainable Development Programme

IIED's Business and Sustainable Development (BSD) Programme is housed within the Sustainable Markets Group (SMG), which drives IIED's policy research, advocacy and engagement in support of markets, trade and private sector actions that contribute to sustainable development. The Group is a home for the work of BSD and IIED's Environmental Economics programme, and houses significant areas of work on global food markets, and (jointly with the Natural Resources Group) on design of markets for watershed services.

BSD aims to build an understanding of where and how business can best contribute to sustainable development in middle- and low-income countries. The Programme works through research projects, advocacy, partnerships and capacity-building initiatives as a strongly collaborative venture, with an emphasis on building bridges between theory and practice.

IIED has long worked on the relationship between business and sustainable development. Past experience included major World Business Council for Sustainable Development-supported studies and advocacy on the pulp and paper industry and the mining and minerals sector. IIED's Stimulating Sustainable Trade project addressed the implications of social, ethical and environmental supply chain requirements for developing country exporters in a variety of sectors, drawing out the recommendations for stakeholders. The connection was also clearly made in the Forestry and Land Use programme's work on 'policies that work' for good private sector forestry and land use – work in turn underpinned by projects related to certification, company-community partnerships, and markets for environmental services and poverty reduction. Work on tourism stressed the potential of tourism to contribute to poverty reduction. And the Race to the Top project provided multistakeholder benchmarking of the UK food retail sector to track progress and spur improvements.

BSD's predecessor, IIED's programme on Corporate Responsibility for Environment and Development (CRED) was established in 2001 to bridge a gap in the emerging 'corporate social responsibility' (CSR) agenda. IIED's experience pointed to a problem: that the dominant CSR agenda was driven largely by the interests of people and organisations based in the world's richest countries – the very people whom CSR aims to benefit have only partially shaped the agenda. CRED worked by developing a range of projects and partnerships that would help build and drive forward the agenda on CSR for environment and development in the South.

In the period to the formation of its successor, BSD, CRED drew on IIED's institutional knowledge, strong partnerships and sectoral expertise. CRED's cross-cutting programme of work had two goals: to 'move the CSR agenda to the South' by promoting tools, analysis and policy spaces that could ensure CSR practices better suited to the range of stakeholder priorities in middle and low-income countries; and to strengthen and draw attention to the role of government and public sector actors in shaping CSR and its close counterpart, corporate accountability.

CRED built IIED's networks and partnerships within the CSR agenda. The Programme sought to bring the wider CSR-relevant work of IIED to the key actors in the agenda. It worked to strengthen understanding of the links between market-based CSR and law, and the implications of CSR for the legal profession. CRED researchers helped the World Bank Group to develop its analytical framework for

work on the role of public sector actors in enabling corporate social responsibility. CRED worked within a group of five partners to set the International Organisation for Standardisation on the right track to ensure that any future international guidance standard on social responsibility would be sensitive to the concerns of stakeholders based in poorer countries. CRED coordinated a process with nine of IIED's partners in the Regional and International Networking Group (www.ring-alliance.org) to strengthen the development dimensions of the UN Global Compact's work. We began work on the implications of CSR for small and medium-sized enterprises in poorer countries. We helped the International Finance Corporation to assess the potential for 'better management practices' to be integrated in the production of key commodities. We worked to strengthen the strategies of bilateral development cooperation agencies for engaging with CSR. And we were increasingly frequently called upon as a respected 'honest broker' to facilitate multistakeholder dialogues on sustainable development issues associated with sectors including mining, sugar, forestry and food retail.

The potential role of business in sustainable development is indisputable. But IIED has increasingly found that the 'corporate social responsibility' (CSR) agenda can be a hindrance in recognising the potential. CSR is often poorly integrated within core business decisions, disconnected from the growing labour markets in the South, and selective in its commitment to the economic, environmental and social justice dimensions of sustainable development. Economic equity – a key concern for IIED's – is very far from the radar screens of most businesses. Our concern for the public governance dimensions of business responsibility and accountability has often not been a comfortable fit with CSR. Building on insights gained through a project to develop scenarios for the future of CSR in the UK to 2015 (*CSR at a Crossroads*), we decided to reframe our work within a renamed programme; Business and Sustainable Development (BSD).

BSD continues to work with IIED's core strengths on the relationship between business and sustainable development in middle and low income countries; and public governance dimensions of that relationship. With the recruitment of a new Senior Researcher during 2006 we will significantly boost our capacity, with partners, to shape the rapidly developing business and development agenda and our engagement with themes such as the business contribution to poverty reduction, business and the Millennium Development Goals, and the socio-economic development contributions of private enterprises. Our overall goal is to catalyse the ideas, research, engagement, and commitment to deliver a new agenda for business and sustainable development.

Elsewhere within SMG, BSD is closely involved in a collaborative programme of work, (jointly with the Environmental Economics Programme), on the relationship between foreign direct investment (FDI) and sustainable development.

FDI has the potential to make a major positive contribution to sustainable development. But benefits that are promised at national level are too often not matched by positive contributions to environmental protection, poverty reduction or sustainable livelihoods at the local level. IIED works on the relationship between project finance and sustainable development; the sustainable development implications of deals (foreign investment contracts) between foreign investors and the governments of the countries that host their projects; and the role of investment promotion agencies in supporting inward investment that is good for sustainable development.

Halina Ward, IIED, 26th April 2006