

The CSR Navigator

Public Policies in Africa, the Americas,
Asia and Europe



Brazil¹

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Public Policy Rationales

- Address gaps in government capacity
- Address challenges of socioeconomic development





Public Policy Activities

- Mandating: Some laws to provide incentives for social investments of companies
- Soft law: Few efforts to promote voluntary standards; some award programs at the local level
- Partnering: Some partnering with regard to social investments

Public Policy Actors

- Ministry of Finance
- Securities of Exchange Commission of Brazil (CVM)
- Instituto Brasileiro de Meio Ambiente e dos Recursos Naturais Renováveis (IBAMA)
- Banco Nacional do Desenvolvimento Econômico e Social (BNDES)

CSR-Relevant Context Factors

-  Good economic growth, influential regional standing
-  Democratic state, with a good chance for consolidation; high levels of corruption
-  Large income, social, racial and gender inequalities; highly influential trade unions
-  Complex but lively cooperation between sectors



■ Executive Summary

Profiling CSR

After a long history of colonial and authoritarian rule in Brazil, the military regime ceded power to civilian rule in the late 1980s. Today, Brazil is a democratic republic, with a presidential system of government. The president is head of state as well as head of government. In 1994, Fernando Henrique Cardoso, a former finance minister, won the presidency and established a center-right coalition around the Brazilian Social Democracy Party (PSDB). He was succeeded by the socialist leader Luiz Inacio “Lula” da Silva of the Workers’ Party (PT) in 2003, which brought a significant change in policies. Lula, a former trade union leader and factory worker, helped the floundering Brazilian economy recover to a considerable extent and established himself as one of the foremost voices for developing countries. In 2006 Lula was reelected despite numerous scandals stemming from corruption within the public administration and high levels of poverty and unemployment. His government is marked by close ties to social movements,

and Brazil is considered to have the most vibrant third sector movement in Latin America. Apart from trade unions, the Catholic church has enjoyed considerable political and social influence, also as a result of its philanthropic activities.

Today, Brazil’s democracy has good chances for consolidation, although corruption remains a serious problem. Since 2004, Brazil has enjoyed continued economic growth and ran record trade surpluses from 2003 to 2006. With its export-oriented economy, the country is South America’s leading economic power in terms of GDP and the core economy of the *Mercosur* trade agreement. As one of the globe’s leading emerging economies, Brazil is also part of the G8+5 group.

There are manifold CSR-activities in Brazil; however, the development of CSR was and remains largely driven by the business community, in particular business associations. In the 1990s the actors and institutions promoting CSR expanded to include political parties, nongovernmental organizations (NGOs), trade unions, the media, local government, consumers and shareholders. However, the current Brazilian government does not show a high

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level of engagement regarding CSR promotion. There are only few CSR public actors at the national level, which is the focus of this study, although it is worth noting that CSR policies are at different stages of development at the state and municipal levels. To some extent multi-lateral organizations are most relevant for shaping CSR politics and policies in Brazil. The main aim of the public sector's CSR activities is to mobilize additional business resources for social and cultural programs that are in line with public interests. The main mandating activities of the Brazilian public sector therefore concentrate on tax incentives to foster companies' social investments. In respect to partnering, some efforts are made by the public sector to promote social investments on the part of the business community.

Given Brazil's rather weak governance capacities and high inequalities, the main rationale of CSR public politics and policies in Brazil is therefore to fill gaps in government capacity. A related rationale behind public CSR promotion, moreover, is to reduce social inequalities by mobilizing business resources, thereby addressing the challenges of socioeconomic development in Brazil. Social investments and philanthropic contributions made by corporations are the most important pillars of CSR in Brazil.

Navigating CSR

Although there are some public sector activities, CSR public policy maturity in Brazil is classified as being in the first generation. The public sector addresses CSR only sporadically and there is no coherent formulation of a CSR strategy on the part of the government. Furthermore, there is neither a visible contact point

within government nor a public coordination point for CSR. Thus it comes as no surprise that there is no visible evaluation of CSR activities by the government. With regard to other dimensions, there is some development in the application of CSR public policy: Occasionally, different stakeholders are integrated into public policy programs and the government cooperates with nonstate actors, e.g. in relation to social investments. All in all, however, the Brazilian public sector engages in few activities with regard to CSR promotion.

In terms of the future development of Brazil's CSR policies, there is a crucial danger that the government might miss its chance to decisively shape such policies. Developing a comprehensive and coherent CSR strategy using stakeholder input would be the first task needed to avoid this scenario. This must be coupled with the deployment of various awareness-raising methods in order to enhance government and stakeholder knowledge of CSR. Second, basic legislation regarding the areas of corporate governance, transparency and reporting would also have to be developed.

1 CSR Public Policy Maturity Level

First generation:

- Very little to no engagement in respect to competency, strategy development, existence of coordination point and evaluation
- Some development and application of CSR policy in respect to integration of stakeholders, CSR activities, communication and awareness

CSR Recommendations

- Development of CSR strategy integrating stakeholders, especially trade unions
- Defining competencies
- Awareness activities for enhancing public sector know-how on all levels, e.g. conferences
- Basic mandatory actions, e.g. on corporate governance, transparency, reporting
- Development of support networks to foster CSR in SMEs



■ CSR-Relevant Context

Political, Social and Economic System

After a long history of colonial and authoritarian rule in Brazil, the military regime ceded power to civilian rule in the late 1980s. The federal constitution was promulgated in 1988 and since then has been the fundament of the Brazilian political and legal system. Today, Brazilian democracy has good chances for consolidation, although corruption remains a serious problem (TI 2006).

Officially called the Federative Republic of Brazil, the country comprises 26 states and one federal district and is the fifth largest country in the world. As the head of government and chief of state, the president holds executive power. A bicameral parliament consisting of the Federal Senate and the Chamber of Deputies makes up the legislative. Brazil's judicial branch is organized in state and federal systems with different jurisdictions (CIA 2007). The country can be regarded as being very bureaucratic with a high number of laws and regulations. Social and environmental legislation is well developed (Cramer 2006: 73) and Brazilian labor law provides for some social welfare and unemployment support, e.g. a minimum basic salary for unemployed or elderly people. Nevertheless, there remain shortcomings in the health and education systems, as the government has had to cut social welfare spending in order to service the public deficit. There are also difficulties with regard to the implementation of the country's environmental legislation, especially at the state level.

In 1994, Fernando Henrique Cardoso won the presidency and established a center-right coalition around the Brazilian Social Democracy Party (PSDB). Cardoso is known for a successful currency-stabilization program that, among other aspects, included the privatization of state enterprises and introduced a new era of dialogue with international human rights groups (Freedom House 2007).² However, the government's economic record was characterized by high foreign debts and high levels of unemployment. The current presidency of Luiz Inacio "Lula" da Silva of the left-leaning Workers' Party (PT) began in 2003. Lula helped the Brazilian economy to recover to a considerable extent and established him-

self as one of the foremost voices for developing countries. He also initiated Bolsa Familia (a popular cash-transfer program providing 11 million low-income families with a \$40 stipend), established a fund providing scholarships for low-income students and continued Brazil's health campaign, all of which has contributed to his popularity within the poor working class. In 2006, Lula was reelected despite numerous scandals stemming from corruption within the public administration and continued high levels of poverty and unemployment.

Brazil's pluralist social structure is characterized by a high degree of inequalities, determined to a lesser degree by ethnicity and to a higher degree by race and class. The richest 10 percent of the population accounts for nearly half of national income, compared to the less than 1 percent of income that goes to the poorest 10 percent.³ Wealthy, landed elites, the poor masses and the strong middle class compete for political power based on wealth, numbers, and skills, respectively. Support for the rights and power of the working class comes primarily from Brazil's influential Catholic church, a major proponent of Latin America's liberation theology, which evolved in the 1960s.⁴ The Catholic church also became an integral part of Brazil's corporatist traditions⁵, which have their origins in the period of Getúlio Vargas's New State (1937-1945) and which continue today, albeit in modified form following economic reforms.⁶ Brazil's corporatist traditions involved the integration of the church and emerging industrial elites into hierarchical and centralized structures, whereby conflicts of interest were channeled directly to the state.

Since 2004, Brazil has enjoyed continued economic growth, and it ran record trade surpluses from 2003 to 2006 (CIA 2007). With its export-oriented economy, the country is South America's leading economic power in terms of GDP and the core economy of Mercosur, a trade agreement to promote free trade and the movement of goods and people within the region. As one of the globe's leading emerging economies Brazil is also part of the G8+5 group.

Geographically, large industry is concentrated in the southern and southeastern states, while the northeast is the country's poorest region. The main economic sectors

2 For a detailed historical overview until the transition to democracy see Fausto (1999).

3 http://www.oecdobserver.org/news/fullstory.php/aid/538/Brazil:_more_than_just_potential.html

4 Also see: <http://www.landreform.org/boff2.htm>

5 <http://kellogg.nd.edu/publications/workingpapers/WPS/229.pdf>

6 <http://www.brazil.ox.ac.uk/workingpapers/PowerDoctor29.pdf>

are services (53.5 percent of GDP in 2005) and industry (38.4 percent) (World Bank 2007). Microenterprises and small firms dominate the Brazilian economy (Leeuwen 2005: 39f).

Despite strong growth rates, significant economic vulnerabilities remain, including a high debt burden and a large grey market. According to some estimates, the informal sector in Brazil generates 40 percent of the national income (Capp et al. 2005). Moreover, the country's wealth is highly concentrated in the hands of a few. As such, the country struggles with high poverty rates and large social, ethnic and regional inequalities. Brazil's Gini coefficient in 2003 was 58.0, which points to a high disparity in income (UNDP 2006). This inequality has not changed much with different political and economic regimes. For instance, from 1990-2003, 22 percent of the population lived below the national poverty line (UNDP 2006). There is also high gender inequality. As late as in 2001, the congress proclaimed that women are equal to men before the law (Freedom House 2007).

Relationship Between Economy, Society and Government

Relations between Brazil's societal sectors are multifaceted and complex. The current left-populist government has a close relationship with some social movements in

order to benefit from political support. This is all the more relevant as there has been unparalleled growth in social activism in Brazil since the 1990s. Today, Brazil's civil society sector is one of the most visible and active in Latin America (Leeuwen 2005: 44f). Civil society groups are also used by the public sector to facilitate the implementation of public policies and the delivery of basic social services. One example is the use of local NGOs to implement microcredit or microfinance public programs in poor communities. The state also cooperates with other actors with a view to boosting economic and social development. Shortly after the start of Lula's presidency, the *National Council for Economic and Social Development (CDES)* was set up, a consultative body that links the executive to business, union and civil society actors. The aim is to facilitate consensus on macroeconomic policies, social welfare, the tax system and labor laws (Cappellin/Giuliani 2004: 59).

Lula himself started his career as a unionist and was involved in the creation of the main union federation *Central Única dos Trabalhadores (Unique Workers' Center, CUT)*, one of the key organizations to challenge the military dictatorship. CUT has close relations with the PT and the current government. In general, many independent Brazilian trade unions have an influential role that in part exceeds that of NGOs (Cramer 2006: 73).

Business and civil society cooperate within communities mainly for the purpose of implementing voluntary social

Facts and Figures		Source
GDP annual growth rate	2.3% (2005)	WB
Import of goods and services	13% of GDP (2004)	UNDP
Export of goods and services	18% of GDP (2004)	UNDP
Corruption Perception Index	3.3 (2006)	TI
Gini Index	58.0% (2003)	UNDP
Gender Equity Index	73 (2007)	Social Watch
Public health expenditure	3.4% of GDP (2003-04)	UNDP
Public education expenditure	4.1% (2002-04)	UNDP
Unemployment rate	9.6% (2006 est.)	CIA
Population living below the national poverty line	22.0% (1990-2003)	UNDP
BTI Management Index	6.70 (2007), rank 15	BTS

investments stemming from corporations. Company engagement in noncompulsory social action has significantly advanced in the last few years, although there is potential for stronger partnerships between business and civil society. Tripartite partnerships between the government, business and civil society are less common and only occur in the field of education and culture. However, there are plans on part of the government to attract more private investment into infrastructure through PPPs (Leeuwen 2005: 41) and thereby close gaps in government capacity.

Development of CSR Public Policy

There are manifold CSR activities in Brazil. However, the development of CSR was and is largely driven by the business community, in particular business associations that not only represent the economic interests of their members but also address ethical issues, including the relationship of business to society. Interest in improving the Brazilian business community's social performance increased significantly in the 1980s, and was driven to a large extent by domestic concerns and actors. A crucial element was the diffusion of certain values and principles related to democratization, which paved the way for civil society organizations and social movements to increase their influence. In the 1990s the actors and institutions promoting CSR expanded to include political parties, nongovernmental organizations (NGOs), trade unions, the media, local government, consumers and shareholders. While CSR politics and policies vary with different political administrations, the current Brazilian government does not show a high level of engagement regarding CSR promotion. To some extent, multilateral organizations are the most relevant actors shaping CSR politics and policies in Brazil, which have to do mainly with environmental certification and international social, environmental and human rights norms and laws.

The development of CSR in Brazil has to be understood in relation to some of the country's most pressing social needs and problems. Social investments and philanthropic contributions made by corporations are the most important pillars of CSR in Brazil. This must also be viewed in light of Brazil's pervasive corporatist traditions. The government therefore tends to use business as a financial support to back up social programs and as

an alternative provider of services that cannot be supplied by the state alone. Against the background of high income and gender inequalities, deficiencies in health and education systems and high poverty rates, companies and their CSR activities are expected to reduce inequalities and redress some of the public sector's financial shortcomings. That said, some national and transnational companies are beginning to relate CSR to their core business as they start to focus on long-term sustainability.⁷

The degree to which the public sector integrates companies depends on the party constellation within the Brazilian public sector. The current government's position is, first and foremost, to assume responsibility for labor standards. However, as the government leaves the definition of CSR to individual companies and thus does not seek to exert influence on how the agenda is defined, the case could be made that the government might miss the chance to bring together and guide the business CSR agenda towards priorities of importance to the public sector and public interest.

CSR Policy Rationale

Given Brazil's weak governance capacities and high levels of socioeconomic inequalities, the main rationale of CSR public policymaking in Brazil is to fill gaps in government capacity. A related rationale behind public CSR promotion is to reduce social inequalities by mobilizing business resources, thereby addressing challenges impacting Brazil's socioeconomic development. Social investments and philanthropic contributions made by corporations are the most important pillars of CSR in Brazil.

⁷ One example is the Brazilian cosmetics company Natura. <http://www.cosmeticsbusiness.com/story.asp?storycode=1454>

■ CSR Situation

CSR Public Policy: Understanding, Strategy

Today, the private sector is still the main defining actor for CSR in Brazil. This is illustrated by the fact that the best known definition of CSR in the country was established by the business association *Ethos Institute*. In contrast, the current Brazilian government has no clearly visible understanding of CSR as such and there is still comparatively little proactive CSR promotion on part of the public sector, which apparently regards CSR as an ethical concern but leaves the decision of how to define and apply it to the business sector.

There is a notable difference between the Cardoso and Lula governments. While the current government does not demonstrate a clear motivation for undertaking public CSR activities, Cardoso's aim was to consolidate Brazil's democracy by promoting cooperation between government, civil society and business. One important program put in place to reach this goal was *Comunidade Solidária* (Solidarity Community), which has now been suspended by the government under Lula (see Initiatives and Partnerships section below).

The government's reluctance to address CSR as a policy issue focusing on the business community's social responsibility has to be understood against the background of deregulation and a decline in labor standards and rights that took place under Cardoso, as the result of pressure by businesses to remove workers' rights and standards from mandatory law. The current government, influenced by trade unions, now seeks to redress what it considers an imbalance of power by universalizing labor laws and terminating negotiations with corporate actors. Key CSR-related strategies focus on combating child labor and eradicating slave labor through legislation.

In contrast, the environmental responsibility of business is supported by a broad regulatory system defined by state regulations, national laws and international agreements. There are also some developments taking place in the area of corporate governance.

CSR Public Policy: State Actors

There is no public body that has overall responsibility for CSR. However, there are some national public policy actors to which responsibility for CSR can be attributed. One of these actors is the *Brazilian Ministry of Finance*, which holds the responsibility for implementing the OECD Guidelines for Multinational Enterprises. The *Securities and Exchange Commission of Brazil (CVM)* – a federal agency linked to the *Ministry of Finance* – promotes corporate governance practices and pursues objectives such as protecting “securities holders against fraudulent issues and illegal actions performed by company managers, controlling shareholders or mutual fund managers.”⁸ The board members of this CSR-relevant institution are appointed by the Brazilian president.

Another important federal agency, the *Instituto Brasileiro de Meio Ambiente e dos Recursos Naturais Renováveis (IBAMA)*, which consists of all state environmental agencies, has joined an international network to issue the so-called Green Protocol. Under this program, national banks will deny credit to businesses that do not comply with environmental regulations. Finally, the *Banco Nacional do Desenvolvimento Econômico e Social (BNDES)*, which is associated with the *Ministry of Development, Industry and Foreign Trade*, financially supports social investment programs and environmental projects undertaken by business. *BNDES* actively cooperates with national NGOs (Cappellin/Giuliani 2004: 42).

Multilateral public sector actors like the *Inter-American Development Bank (IDB)* and the *World Bank* also play some role in encouraging CSR in Brazil. IDB currently runs a project on institutionalizing the model of public-private partnerships to promote private sector participation in the delivery of public and infrastructure services. The *World Bank* engages in CSR promotion in the context of its Business, Competitiveness, and Development Program. It conducted a CSR project in Brazil in cooperation with the *São Paulo Sugar Cane Agroindustry Union*, which represents the sugar cane, sugar and alcohol industry in the state of São Paulo. The project aims to enhance competitiveness and capacity among businesses in regard to labor and environment practices (World Bank et al. 2006).

8 <http://www.cvm.gov.br/ingl/indexing.asp>

Selected CSR State Actors – National		
Name	Short Description	Main Responsibilities /Activities
Ministry of Finance	Public authority, responsible for public finance	Responsible for implementing the OECD guidelines.
Securities and Exchange Commission of Brazil (CVM)	Federal agency linked to the Ministry of Finance	Observes (CSR-related) issues pertaining to the capital markets and their participants, such as public companies, financial intermediaries and investors; regulates publicly held corporations. http://www.cvm.br
Instituto Brasileiro de Meio Ambiente e dos Recursos Naturais Renováveis (IBAMA)	Federal agency consisting of all state environmental agencies	Promotes environmental regulations of businesses.
Banco Nacional do Desenvolvimento Econômico e Social (BNDES)	Public company associated with the Ministry of Development, Industry and Foreign Trade	Promotes social investment programs.
Selected CSR State Actors – International		
Inter-American Development Bank (IDB)	Main source of multilateral financing for economic, social and institutional development in Latin America	Supports the development of national and regional CSR standards, helps SMEs implement these measures and focuses on partnering with big companies interested in SRI. http://www.iadb.org
World Bank	Multilateral finance organization	Implemented a CSR program in the sugar and ethanol industry in São Paulo, Brazil. The International Finance Corporation (IFC), a member of the World Bank group, supported the installation of the Corporate Sustainability Index. WBI initiated an awareness training program for Brazilian business representatives in collaboration with the German development agency InWent. (http://info.worldbank.org/etools/wbi_learning/iframe.cfm?view=activity&sch_id=PRIO7-01-07)

CSR Public Policy: Nonstate Actors

Brazilian companies and business associations can be regarded as the country's earliest and most proactive drivers of the CSR agenda. Early efforts to introduce social consciousness to the business field date back to the 1960s, when the Brazilian branch of the *International*

Christian Union of Business Executives prompted a debate about the social role of business. Other initiatives by business associations and networks were carried out during the following decades and have influenced the business community's current position in society (Cappellin/Giuliani 2004: 2). In 2006, two Brazilian companies, *Natura* and *ABN AMRO Real*, were among

the top 50 reporters in UNEP's Sustainability Ranking and thus serve to demonstrate that corporations in emerging markets can influence the reporting agenda (UNEP 2006). However, it should be noted that business in general is not in favor of mandatory CSR regulations.

As such, businesses in Brazil are driving the move towards voluntary agreements and standardization, especially transnational standards, due to global market pressure. For instance, over 130 Brazilian firms report according to Global Compact principles and more than 20 organizations declare that they use Global Reporting Initiative (GRI) guidelines. There is also a sharp increase in interest in certification, e.g. in the environmental management standard ISO 14001. In addition, the *Brazilian Association of Technical Standards (ABNT)*, a private, nonprofit organization officially recognized by the government as being the only national forum for standardization, currently engages in a working group for the development of ISO 26000, a voluntary ISO standard for CSR. It has also developed a Brazilian norm for CSR: NBR 16001. According to some observers, Brazil ranks fourth in the world with regard to the number of SA8000 certificates.⁹ Oliveira (2006: 18) notes that rates for social reporting initiatives by large Brazilian companies are similar to those of the largest companies in Europe and the US. However, problems remain with regard to the ability of Brazil's large SME sector to incorporate these standards into their business operations.

With Brazil's integration into the global market and with the related importance of foreign-owned transnational corporations (TNCs), international discussions influence the Brazilian business community's CSR agenda and take it beyond pure philanthropy. The rather

proactive role of Brazilian firms to further CSR domestically and their willingness to adopt international standards is therefore to be understood partly in the context of increasing market pressure at the global level, exercised by investors and buyers. In part, CSR agendas are also driven by the desire to improve the image of Brazilian companies abroad. As the CSR agenda broadened in the 1990s, an increasing number of large firms focused attention on a range of initiatives that went beyond philanthropy, including social welfare, environmental protection and community development.

Traditionally, activities have centered on donations or social actions directed at communities where the firm is located. That is, business associations and companies have focused their attention on social conditions outside their walls. However, as corporate restructuring has intensified, companies have directed more attention inward, for example, toward social investments that improve workers' skills in order to accomplish technological modernization in the workplace, particularly in the metallurgical, chemical, building and textile sectors. Social investments related to employees have had the primary goal of increasing productivity. At the same time, such actions can reduce traditional problems on the Brazilian shop floor, such as injury, illiteracy, poor health, absenteeism and weak identification with company goals.¹⁰ In 2004, more than 70 percent of firms in the Brazil's northeast and southeast regions made such investments, either directly or by donations to community groups and NGOs (Leeuwen 2005: 77). Often, such projects are developed in cooperation with state agencies. Companies are also expected to ensure income equality of men and women (Cramer 2006: 72).

Selected CSR Nonstate Actors

Major Business Actors

Name	Description	Main Responsibilities /Activities
Business Council for Sustainable Development (BCSD) Brazil (CEBDS)	Business association; partner of the World Business Council for Sustainable Development (WBCSD)	Aims to stimulate and mobilize companies towards sustainable development, working in partnership with academic institutions and NGOs. It represents member companies in government relations with the aim of fostering sustainable development. Offers technical expertise. www.cebds.org

9 <http://wharton.universia.net/index.cfm?fa=viewArticle&id=1259&language=english&specialId>, July 4, 2007.

10 <http://www.unrisd.org/unrisd/website/document.nsf/0/400751A2D48E8DDDC1256F80003DA9CE?OpenDocument>

São Paulo Stock Exchange (BOVESPA)	São Paulo Stock Market Exchange	In 2000, BOVESPA's specialists drafted a list of corporate governance practices and transparency requirements to be adopted by listed companies, the New Market (Novo Mercado). It also participated in the design and installation of the ISE - Corporate Sustainability Index. Since 2006, it hosts the website Em Boa Companhia (In Good Company), where private sector, CSR-related best practices are published. http://www.bovespa.com.br/wrsl/index.asp
Brazilian Foundation for Sustainable Development (FBDS)	Private, nonprofit foundation. Set up in 1992 by 24 major business groups.	Strong technical-scientific expertise; carried out studies about alternative energies, energy efficiency and other environmental issues and projects on corporate social and environmental sustainability. A current research project focuses on the sustainability of three business sectors in Brazil. Promotes CSR through technical support for corporations to review or create CSR programs. www.fbds.org.br
Brazilian Institute on Corporate Governance (IBGC)	Private organization working on corporate governance, set up in 1995.	Promotes good corporate governance practices. With the voluntary support of several heads of companies, IBGC has issued a Code of Best Practice on Corporate Governance. www.ibgc.org.br
Ethos Institute	Business association for CSR.	Its mission is to encourage and support companies to manage their business in a responsible way. Spreads and promotes CSR in cooperation with various actors, aims to gain media attention for CSR, aims to better organize the CSR movement in Brazil. Conducts media campaigns, holds conferences and workshops, and conducts an annual consumer protection survey. Involved in the development of the ISE - Corporate Sustainability Index. www.ethos.org.br
Group of Institutes, Foundations and Enterprises (GIFE)	Leading Brazilian association of corporate and other private grant makers.	Aims to influence public policy by means of partnerships and the sharing of experiences. Its primary objective is to restructure the third sector's legal framework to offer a better legal, fiscal and tax environment for all nonprofit organizations. Offers courses and consulting, disseminates information through newsletters. Has issued a code of ethics on social investment. Participated in Solidarity Community. www.gife.org.br
Unibanco	São Paulo-based bank with a strong presence in investment banking.	Publishes SRI reports on individual companies including internal company sources as well as information from local governments and NGOs. Aims to provide social and environmental information for investors. www.unibanco.com.br

There are also some noteworthy financial tools for enhancing CSR that have originated at the *São Paulo Stock Exchange (BOVESPA)*. For instance, experts at *BOVESPA* created the ISE – Corporate Sustainability Index with financial support from IFC and in cooperation with various private organizations. Today, one of the key actors raising awareness and conducting research on CSR and providing instruments for companies is the *Ethos Institute*, which was also involved in creating the ISE index. Among other activities, it has created the Ethos CSR Indicators (a self-assessment tool for companies), engages in awareness raising and endorses the Global Compact.

In order to promote CSR with SMEs, *Sebrae (the Brazilian Service of Support for Micro and Small Enterprises)* plays a significant role mainly by awareness raising and providing CSR indicators and a CSR manual.¹¹ Together with the organizations *Sesi (Industrial Social Service)* and *Senai (National Industrial Training Service)*, *Sebrae* is a member of the CNI system, which performs a role similar to that of Europe's chambers of commerce in terms of providing excellence in occupational training, offering infrastructure and developing social and educational services in a number of fields, including CSR. *SESI* also promotes a CSR-relevant award, PSQT – Prêmio SESI de Qualidade no Trabalho.¹²

Cooperation between companies and NGOs with regard to monitoring has only begun to deepen over the last few years. *iBase* is one of the most influential NGOs in this respect. Among other activities, it has implemented a program of social audits and it encourages social reporting. Its model of social audit promotes transparency and provides incentives, as it is connected with the Bethinho iBase Social Audit seal for firms that follow this model. In 2000 40 firms participated in the social audit (Cappellin/Giuliani 2004: 30). Furthermore, the *Institute for the Development of Social Investment* supports CSR development in Brazil by promoting social investments, while the *Brazilian Foundation for Sustainable Development* conducts CSR-related research.

Trade unions, most importantly through *CUT*, have an important influence on corporate social behavior by enforcing labor rights within companies. However, many unions regard CSR as disingenuous; since they view government as responsible for the overall conditions of labor relations, they explicitly refuse to accept the CSR

concept. *CUT* recognizes CSR as a positive approach, but criticizes the fact that Brazilian firms do not include trade unions as partners within their CSR endeavors, and that firms do not allow for monitoring mechanisms to take hold. Partly as a response to these perceived deficits, *CUT* has developed its own resources to scrutinize the social performance of businesses, including its work with the *Social Observatory Network*, which promotes analysis using a set of indicators based largely on ILO conventions.¹³

Consumer pressure on firms is not very strong in Brazil. For instance, there has never been a consumer boycott on the national level motivating change in business behavior regarding ethical issues (Cappellin/Giuliani 2004: 37). However, progress has been made recently and consumer pressure appears to be gaining in importance.¹⁴ This might also be linked to a relatively weak take on CSR by the media in Brazil, which so far have only shown a superficial understanding of CSR. While coverage of the topic is increasing, it is generally not accompanied by critical analysis (Vivarta/Canela 2006). Specialized business media in Brazil generally engages in “naming and praising,” and not in criticizing firms that are involved in bad social or environmental practice (Cappellin/Giuliani 2004: 35, cf. Oliveira 2006: 19). One example is the annual issue by the editorial staff of the business magazine *Exame*, which encourages CSR by highlighting best practices, including a national ranking of companies that have a strong record in human resource development. Another example is the newspaper *Valor Econômico*, which has published a monthly supplement analyzing socially responsible initiatives. It also cooperates with the *Ethos Institute* in awarding the *Premio Valor Social*, which classifies firms in several categories related to social responsibility.

11 <http://www.portal.sebrae.com.br/customizado/institucional/institucional/sebrae-in-english>

12 <http://www.cni.org.br/english/f-ent.htm>

13 www.observatoriosocial.org.br

14 www.akatu.net

Selected CSR Nonstate Actors		
Major Civil Society Actors		
Name	Description	Main Responsibilities /Activities
Brazilian Institute for Social and Economic Analyses (iBase)	Nonprofit charitable organization created in 1981; aims to disseminate information on the economic, political and social realities in Brazil.	Engages with CSR and social balance. Has developed a social-balance model and participates in Red Puentes – a Latin American network dedicated to strengthening international partnerships that stimulate socially responsible practices by using the OECD guidelines and other tools for promoting social responsibility. Organized a workshop on the certification of labor conditions, workers' rights and SA8000. www.ibase.br
Institute for the Development of Social Investment (IDIS)	Civil society organization. Leading advisor to corporations with regard to CSR programs.	Promotes private social investment and seeks to systematize different models of social intervention that reduce social inequalities. Conducts research, offers technical expertise/consulting and training programs for companies, foundations and individuals and publishes information on social investment services and practices. www.idis.org.br
Observatorio Social	An initiative of the Brazilian trade union CUT which studies and analyzes the behavior of multinational, national and state companies in relation to the fundamental rights of workers.	Raises awareness among institutions and the public by conducting research on the social and labor conditions of multinational, national and public companies in Brazil and the way in which goods and services are produced and commercialized. Cooperates with CEDEC (Center of Studies of Contemporary Culture), DIEESE (Inter-Union Department of Statistics and Socio-Economic Studies) and UNITRABALHO (Inter-University Network of Studies and Researches on Work). www.observatoriosocial.org.br

■ CSR Public Policy: Instruments and Activities

a. Mandatory Framework

There is no specific federal law regulating CSR-related issues, although some proposals have recently been made. For instance, the legislative proposal 1305/2003 currently under discussion in parliament could be an important step towards a more consolidated legal framework with regard to CSR. The draft law is an attempt to regulate the social responsibility of national and foreign companies and to establish rules and a transparency control mechanism that will help domestic and foreign companies implement CSR practices (Leeuwen 2005: 73f).

Although they do not explicitly establish a link to CSR or business responsibility, some Brazilian laws affect issues that are commonly associated with the CSR agenda. There is a special environmental governance mechanism, the *Public Hearings for Environmental Licensing (Aplas)*, which seeks to expand popular participation in the public discussion of corporate activities with potential environmental risk. However, *Aplas* has been criticized for its lack of legitimacy and efficacy and for its lack of ability to ensure effective participation on the part of the country's citizens (Alonso/Costa 2004).

CSR-Relevant Legislation		
Name	Date	Short Description
Draft Law 1305/2003	Under discussion	Legislative proposal for regulating CSR. The core elements of the bill are a requirement for companies with more than 500 employees to publish a social balance sheet and to set up social responsibility committees, and the creation of a National Social Responsibility Council to act as the regulator of CSR practice with sanctioning power.
Law 9605	1998	Law dealing with environmental crimes. Establishes penalties for organizations responsible for ecological disasters, which can be extended to include the company's top management. Five years after the law's promulgation, it was possible to impose penalties of up to 50 million reais (approx. \$17.2 million) on companies that commit serious environmental crimes.

b. Soft Law

There are some efforts on part of the government to promote voluntary standards for corporations. At the national level, CVM issued the CVM Recommendations on Corporate Governance in 2002.¹⁵ These recommendations can be understood as a code of conduct that seeks to disseminate good corporate governance practices, for instance with regard to transparency. However, little is known as to how far companies adopt this code.

At the international level, Brazil subscribes to the OECD Declaration on International Investment and Multinational Enterprises and, as a consequence, adheres to the OECD Guidelines for Multinational Enterprises, which were formally implemented in Brazil in 2003. The *National Contact Point (NCP)* for the OECD guidelines is located at the Ministry of Finance. Other members are the *Ministry of Foreign Affairs*, the *Ministry of Planning, Budget and Management*, the *Ministry of Labor and Employment*, the *Ministry of Justice*, the *Ministry of Environment*, the *Ministry of Science and Technology*, the *Ministry of Development, Industry and Trade* and the *Brazilian Central Bank*. Although the number of participating public bodies is remarkable, it has to be noted that trade unions and NGOs are not integrated institutionally within the *NCP*. The annual report of the Brazilian *NCP* admits that it “still lacks formal representation channels among civil society entities” and apparently plans to create an advisory committee for social actors (Ministry of Finance 2006). Yet it also emerges from the report

that very little has been done to increase the visibility of the guidelines.

Brazil has also ratified the United Nations Convention Against Corruption, which mentions that each state is to take measures to prevent corruption and enhance accounting and auditing standards in the private sector. However, it is too early to assess how this convention is implemented in practice in the Brazilian context.

Most activities in the area of soft law and voluntary agreements are pursued by the corporate sector and by NGOs.

c. Initiatives and Partnerships

To some extent, the government directly participates in the local promotion and implementation of CSR-related projects in partnership with business and civil society. Although it has been phased out under the Lula government, the Cardoso government promoted partnerships between government, business and civil society through *Comunidade Solidária*, which enhanced the importance of the private sector in the provision of social services and programs.¹⁶ The initiative was established in 1995 following an economic crisis associated with public sector indebtedness, high inflation and the state's decreasing ability to meet social demands. It specified areas in which the state's role was to coordinate and regulate, while service provision and financing was left to the market and civil society. A coordination body, the

¹⁵ www.cvm.gov.br, www.cvm.gov.br

¹⁶ www.comunitas.org.br

Community Solidarity Council, was set up by the government, and was responsible for announcing, coordinating and monitoring the formulation and execution of governmental policies and programs in the social field (cf. Burity 2006). The council comprised government business and social leaders and promoted cooperation in social policies.

Social investments and financial contributions of firms continue to be welcomed and encouraged by the Lula government. For instance, *BNDES* supports social investment projects and programs undertaken by private enterprises, sometimes in partnership with public institutions or nonprofit associations, by providing social credits and specific financing agreements.¹⁷ Also, some corporations carry out their CSR agenda by contributing to social campaigns, for instance to the government's Zero Hunger (Fome Zero) program (Cramer 2006: 73). The program was launched in January 2003 and is slated to benefit 11 million families. To date, 4.5 million families are involved, and the total is expected to reach 6.5 million by the end of 2007. Through Zero Hunger, each participating low-income family receives a monthly stipend for the purchase of food. It is in this context that the Lula government has announced Brazil's commitment towards achieving the Millennium Development

Goals (MDGs), which involves the support of trade unions, nongovernmental organizations, church groups and the business community.¹⁸

Various partnerships bringing together government, corporate and civil society actors have been initiated by nonstate actors, for example by the *Ethos Institute*.¹⁹ The main activities are in the areas of labor, literacy, health and employment. One example is the I Want to Read program, the objective of which is to reduce to zero the number of towns in the country that do not have public libraries. It is run in conjunction with the *Ministry of Culture*, state and municipal culture secretaries and private initiatives. The *Ethos Institute* also coordinates local initiatives in which governmental and private sector initiatives unite in order to raise the HDI (Human Development Index) rating of the neediest towns in Brazil, particularly in the north and northeast.

d. Incentives

There is a system of tax incentives designed to promote philanthropic activities on the part of businesses. This can partly be understood in light of the Brazilian government's desire to reduce shortcomings in public spending in the areas of social welfare and culture. Tax deductions can be obtained for contributions made to

CSR-Relevant Legislation

Name	Date	Description
Law 9790	1999	Provides tax incentives for business donations to civil society organizations known as "social organizations for public benefit" (OSCIPs).
Law 8242	1991	Specifies tax incentives for projects promoting the rights of children and adolescents. Contains provisions on tax incentives for individuals and corporations that invest in funds dedicated to the rights of children and adolescents.
Law 5172	1966	National taxation code. Contains limited tax incentives for areas that are part of the CSR framework, e.g. tax reductions for nonprofit organizations and tax incentives for culture, social welfare contributions (related to labor laws) and child and adolescent rights.
Law 9874	1999	Provides tax incentives for individuals and corporations that invest in the cultural field.

17 http://www.bndes.gov.br/english/social_investments.asp

18 <http://ipsnews.net/interna.asp?idnews=24214>

19 <http://www.ethos.org.br/DesktopDefault.aspx?TabID=3892&Alias=EthosEnglish&Lang=pt-BR>

20 <http://www.usig.org/countryinfo/brazil.asp#contributions>

nonprofit organizations that have been granted the status of public charities or that are certified by the *Council of Public Policies for Children and Youth*.²⁰ Furthermore, Law 9874 provides for tax reductions for companies that sponsor or donate to projects approved by the *Ministry of Culture*.

Multilateral organizations also provide incentives for business responsibility. The *IDB* promotes responsible business behavior through a specific credit line in the context of multilateral investment funds. Through the *IFC*, the *World Bank* gave financial support to the creation of the *São Paulo Stock Market's ISE - Corporate Sustainability Index*.

One notable example of incentivising companies at the local level is the *Selo Empresa Cidadã Award* presented by the city of São Paulo, which certifies a firm's social commitment. It comprises three aspects: the social profile of employees; the extent to which social policies are introduced; and the set of incentives for human development and quality of life inside the company and in the community. Since its establishment in 1998, the biannual award has been adopted by several other cities and towns (Cappellin/Giuliani 2004: 41), for instance in Santo André, Porto Alegre, Uberlândia and João Pessoa.²¹

e. Awareness

Although there is a national forest certification program called *CERFLOR* and some initiatives, like the *Comunidade Solidária*, have awareness-raising traits, none can be interpreted as specifically government-driven.

■ CSR Public Policy Maturity

There is consensus that the major driver of CSR in Brazil is the private sector. In contrast, Brazil's CSR public policy can be assessed as being practically non-existent, but as having potential, given the country's vibrant democratic and civic culture and its importance as an emerging market, not only at the regional but also at the global level. All in all, however, the Brazilian public sector engages in few activities geared toward CSR promotion. With low engagement in four dimensions and some engagement in three dimensions, CSR public policy maturity in Brazil can be seen as being in the first generation.

The public sector addresses CSR only sporadically and there is no coherent formulation of a CSR strategy on part of the government. Furthermore, there is neither a visible contact person within government nor a public coordination point for CSR. Thus it comes as no surprise that there is no visible evaluation of CSR activities by the government.

With regard to other dimensions, there is some development in the application of CSR public policy. Occasionally, different stakeholders are integrated into public policy programs and the government cooperates with nonstate actors, e.g. in relation to social investments. In addition to such partnerships, the public sector provides some incentives such as tax reductions and awards to encourage CSR, and thus has undertaken some activities through mandating, facilitating and the creation of soft law. Finally, instruments such as award programs at the local level help raise awareness about CSR.

21 http://www.camara.sp.gov.br/noticias_detalhe.asp?id=953

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The full study with detailed information on CSR public policies in the countries investigated is available for download (pdf) at www.bertelsmann-stiftung.de/csr or at www.gtz.de/csr

