

The CSR Navigator

Public Policies in Africa, the Americas,
Asia and Europe





Forewords



Political, economic and social leaders need to join together to meet the social, ecological and cultural challenges of globalization. Whether in Europe, Africa, Asia or the Americas, it is becoming more and more important that all societal actors contribute to solving the complex problems we face. This means we must redefine the rules determining how we live and work together.

Businesses can be particularly effective in helping to improve living conditions for people throughout the world. Thus, more than ever before, long-term entrepreneurial planning and action must be coupled with a sense of social responsibility. This core conviction has always informed the Bertelsmann Stiftung's project work.

The present international study – the first of its kind – is a systematic analysis of CSR policy in 13 different countries, and it aims to demonstrate which policy tools are best able to promote corporate social engagement. It is with great pleasure that we present these results in cooperation with the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ). This collaboration proves the importance CSR has recently gained for private and public sector actors. Cooperation is both the basis of this study and the principle underlying CSR. We are convinced that such cooperative efforts are the key to shaping globalization in a sustainable way.

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One of the central challenges of development cooperation today lies in developing suitable approaches and instruments in order to structure globalization-related processes fairly. Many companies are investing in countries of the South and East that are frequently characterized by inadequate social and environmental legislation and a failure to implement and enforce existing laws. That is why corporate social responsibility (CSR) can be an important step on the way to fostering sustainable development, reducing poverty and achieving socially just globalization.

GTZ's endeavors in the field of sustainable development are not new. Our concept of sustainable development and the values associated with it have characterized our work worldwide for many years, and in this regard we attach key importance to environmental and social standards.

Together with the Bertelsmann Stiftung and with support from the German Ministry for Economic Cooperation and Development (BMZ), we are proud to present this practice-oriented overview of policy instruments for implementing CSR in selected countries. Our aim here is to expand the range of advisory services provided by German development cooperation for developing and implementing CSR policies and then monitoring their results, while drawing on international experience and networking with the corresponding knowledge bearers.

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Profiles

About Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH

As a globally active enterprise focusing on international cooperation and sustainable development, the federally owned Deutsche Gesellschaft für Technische Zusammenarbeit und Entwicklung (GTZ) GmbH supports the German government in achieving its development-policy objectives. It provides a globalizing world with viable, forward-looking solutions that stimulate political, economic, ecological and social development. Working under difficult conditions, GTZ promotes complex reforms and change processes. Its corporate objective is to improve living conditions around the globe on a sustainable basis.

GTZ assumes responsibility for the ecological, social, cultural and political environment – responsibility it shares with its partner organizations. Efficiency and ethics play an important role in the implementation of its programs. For GTZ, respecting human dignity and human rights is just as important as the responsible use of the environment and the globe's resources. In 2004, this commitment inspired the company to become a member of the Global Compact, the worldwide initiative launched in 1999 by UN Secretary General Kofi Annan.



GTZ is a federal corporation based in Eschborn near Frankfurt am Main. It was founded in 1975 as a company under private law. The German Federal Ministry for Economic Cooperation and Development (BMZ) is its major client. GTZ also operates on behalf of other German ministries, the governments of other countries, private enterprises and international clients, such as the European Commission, the United Nations and the World Bank. GTZ works on a public-benefit basis. All surpluses generated are channeled back into its own projects for international cooperation and sustainable development.

About Bertelsmann Stiftung



One of Germany's leading foundations, the Bertelsmann Stiftung is dedicated to serving the common good. It focuses on the fields of education, economy and society, health and international understanding and promotes the peaceful coexistence of cultures. With its commitment to society, the foundation encourages all citizens to follow its lead and make their own contributions to the common good. Founded by Reinhard Mohn in 1977, the Bertelsmann Stiftung is the majority shareholder in Bertelsmann AG. It functions exclusively as a private operating foundation, remaining independent of the company and politically neutral.

The Bertelsmann Stiftung's CSR Project focuses on the contribution companies can make to develop solutions for urgent societal questions. The project is motivated by the conviction that cooperation is the key factor when developing sustainable and robust solutions. Most of today's challenges can only be solved if the business community, governments and civil society organizations come together to combine their competencies. The CSR Project is currently concentrating on three subjects:

- Enhancing awareness for corporate engagement by contributing to the CSR discourse through conferences and publications
- Building up management competency by analyzing structures and processes for CSR management through case studies
- Initiating new societal partnerships by developing formats that will help companies and civil society organizations benefit from each others' knowledge and experience

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Introduction

Growth, prosperity, political stability, justice, equal opportunity – shaping a fair and balanced process of globalization is a challenge and a necessity. But how can the job best be done?

The Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) and the Bertelsmann Stiftung have jointly explored how governments can contribute to shaping a fair and balanced process of globalization by working together with private and civil society actors. Incorporating corporate social responsibility (CSR) into national policies can be seen as a first important step towards this new, shared governance approach. Of course, CSR is not the solution to all of society's problems. But we are convinced that it is a viable and integral concept for framing change management and problem-solving in societies that are increasingly embedded in the processes stemming from economic globalization. The combined perspective of a government-owned enterprise, GTZ, and a private operating foundation, the Bertelsmann Stiftung, on the subject of CSR has been a major resource in undertaking this study.

By investigating drivers behind national CSR policymaking, analyzing existing instruments and highlighting the respective maturity of CSR policies in selected contexts around the globe, we have developed CSR public policy profiles for each of the 13 countries analyzed here. These country profiles form the basis of the CSR Navigator, a tool designed to help map CSR-related public policy instruments and to choose measures appropriate to a country's particular situation. Four fundamental hypotheses have guided our research:

- **CSR is characterized by global common denominators, yet it can have different focal points in different national contexts**
- **In order to make CSR work, all societal actors must be involved in its conceptualization and implementation**
- **Political and public policy actors have a proactive role to play in the field of CSR**
- **Political instruments that benefit CSR development can be classified according to their area of impact and level of national CSR development**

Global denominators – Local focal points

To date, the consequences of globalization and the entailing conditions of production often meet with disapproval in civil society and the political arena. A major criticism is the imbalance between cross-border business activities and territorially restricted laws. The lack of global regulation and the implementation deficits of international conventions on labour and environmental protection thus turn CSR into a negotiation process that allocates new roles and responsibilities, since, in a globalizing world, neither problems nor solutions know national boundaries.

However, we take national public policies as the starting point of our study because we firmly believe that CSR has to be seen in light of the relevant national context. After all, history, political systems, economic trends and cultural traditions have profoundly shaped the societies in which CSR is taking place. As such, the reasons why governments want to strengthen CSR and the steps they take to apply the concept vary. We have therefore looked at explicit CSR policies but have also taken policy activities into account that belong to areas such as environmental and labour policy, simply because in some parts of the world these issues happen to shape current understandings of CSR.

The selection of countries analyzed in this study reflects an interest in mapping as many different backgrounds for CSR policymaking as possible, including those in place in stable Western economies, transforming nations, major regional players and developing countries.

The short version of the study (executive summary) is available for download (pdf) at www.bertelsmann-stiftung.de/csr or at www.gtz.de/csr

CSR is about involving all societal actors

Responsibility means understanding obligation as a voluntary action. It is about what people choose to take into account – because they feel strongly about certain issues, or because they feel their actions or nonactions might have an impact that will affect them too. For companies, this means that they “integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.”*

Many companies have begun to understand the interdependence that connects them to society at large and have thus launched programs focusing on CSR. More and more NGOs are becoming aware that it is possible to reach sustainable solutions through partnerships with corporations. Still, we believe that CSR has to be taken one step further. Questions such as who is responsible for what, who shapes expectations, who will exercise control and which goals are to be reached are constantly being negotiated in all parts of the world. This process requires all actors to claim their stakes, and not only business organizations, although they may take a leading role. In other words, “CSR in essence addresses the reconfiguration of the balance between institutions that together make up society”**. Only through sharing responsibilities, cooperating and (occasionally) competing do societies have a chance to come up with better, more sustainable and more widely accepted solutions than those provided by society’s individual sectors.

Politics has an active role to play

This study views CSR from a public policy perspective. It is about how cooperation and a sharing of responsibility take place, and how they can be organized and institutionalized.

The G8 Summit in Heiligendamm in 2007 and the UN Summit in Johannesburg in 2002 underlined the importance of CSR for the political arena, highlighting

the effect it can have on development issues and indicating that cooperation is key if we want to face up to the global challenges of equitable, sustainable growth. These are the external, developmental and trade-related aspects of CSR public policymaking. Some countries are dealing with weak or nascent civil societies or with increasing governance gaps, and a desire to augment their social and cultural capital is therefore likely to result in a more domestic approach to CSR-related strategies and public policy. Although developments in Europe and other global regions significantly shape the domestic policies of many countries today, the era of political governance is not dead. Governments everywhere are beginning to realize that a new task awaits them: shaping a framework for cross-sectoral cooperation and for sharing responsibility.

Classifying instruments

From a public policy perspective, CSR is influenced by two factors: common denominators such as global standards, customer expectations and a focus on human rights; and domestic strategies, institutions and norms. The combination of these two areas generally forms the national policy rationales behind CSR, and success results from choosing the right steps for realizing the desired goals. Similar to CSR activities in companies, public policy instruments also have to be coordinated and implemented coherently. The CSR Navigator included at the end of this study provides an orientation for which path to take, while also outlining possibilities for a fully developed CSR public policy. It is not a complete account of all instruments currently in place, but a first overview instead. With it, we not only wish to shed light on the variety and uses of CSR instruments and their contexts, but also to contribute to and advance the debate on public policy and CSR.



* European Commission (2002): *Corporate social responsibility. A business contribution to sustainable development.*

** Habisch, André and Jonker, Jan (2005): *CSR – A subject with Substance? In: Habisch, A. Jonker, J. Wegner, M. Schmidpeter, R. (eds.): Corporate Social Responsibility across Europe. Berlin, Heidelberg.*

Methodology of Study

The following study is a journey into CSR from a public policy perspective. The aim is twofold: First, we wish to give policymakers and consultants worldwide a simple and flexible method to analyze the various CSR activities that are taking place in different national contexts. This is what we call *Profiling CSR*. Second, we wish to provide a systematic overview of CSR public policy instruments, building upon an accurate understanding of the current state of CSR in various countries. This will allow for effective consulting that avoids “one-size-fits-all” recommendations and instead helps consultants propose suitable instruments that lead to coherent and encompassing CSR policies. This is what we call *Navigating CSR*.

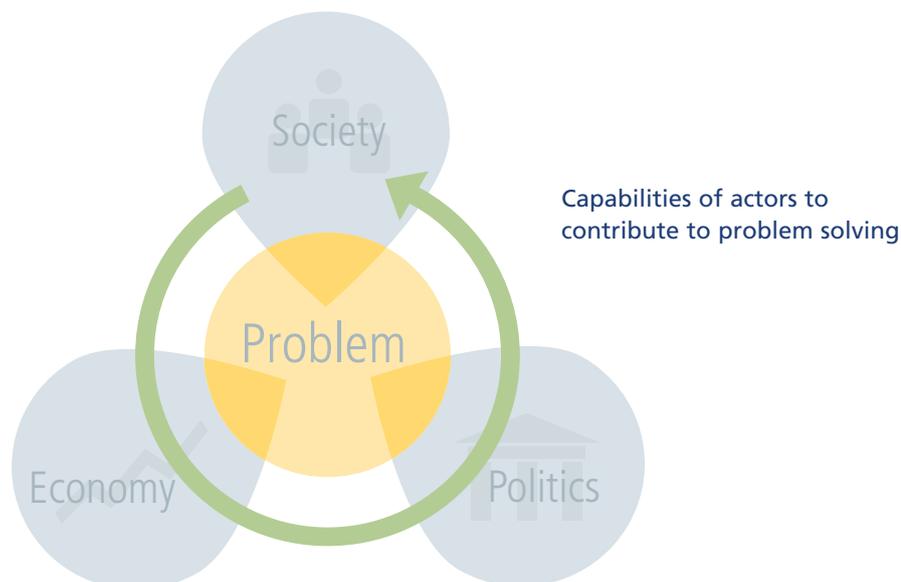
From Practice to Profile

How do countries worldwide, countries with different cultural and political backgrounds and with varied economic contexts approach the subject of CSR? We have investigated implicit and explicit CSR public policies, defined key public policy actors and looked for CSR instruments in 13 countries around the world. The underlying premise of this study has been that the multifaceted framework of CSR is successful in addressing a country’s most pertinent issues and problems only when each one of the principal societal groups – business, government and civil society – is active and potent and when the relationship between the three actors is defined by exchange and cooperation.

On the basis of the country-by-country analysis of policies, actors and instruments, empirical data is collated in order to create meaningful country profiles that are more than a mere summary of what is happening in terms of CSR. The overall country profile is generated by taking a three dimensional approach, using a mix of methods to look behind the superficial surface of CSR public policies. This involves a CSR content dimension, a CSR context dimension and a CSR maturity dimension.

1. CSR Content Dimension: An extensive questionnaire with over 90 questions was developed for this study, designed to survey in detail CSR public policy activities and CSR actors. The questionnaires were filled in by renowned CSR experts of the countries covered.* Some of the categories covered were:

- General understanding of CSR by public sector
- Motivations for public sector to engage in CSR
- Activities connected to CSR taking place
- Role of nonstate actors



* All background material on the indicators and questionnaires can be found at the end of this study.

1. CSR Context Dimension: A set of indicators covering the key factors of a country’s economy, politics and society, as well as its methods of exchange and cooperation were compiled. The 16 indicators allow for an accurate description of the specific national context within which CSR policy is embedded: Is the country characterized by conflictual or cooperative relations between societal actors? Is the government struggling to fight against widespread corruption or is it a case of a transparent egalitarian state?

These context factors are extremely relevant for the direction CSR public policy takes in any given country, but up to now they have mostly been neglected by CSR reports and studies. Some of the context indicators are:

- Level of integration in global economy
- Level of privatization
- Capacity of government to implement policies
- Social cohesion
- Institutionalization, exchange and autonomy of societal actors

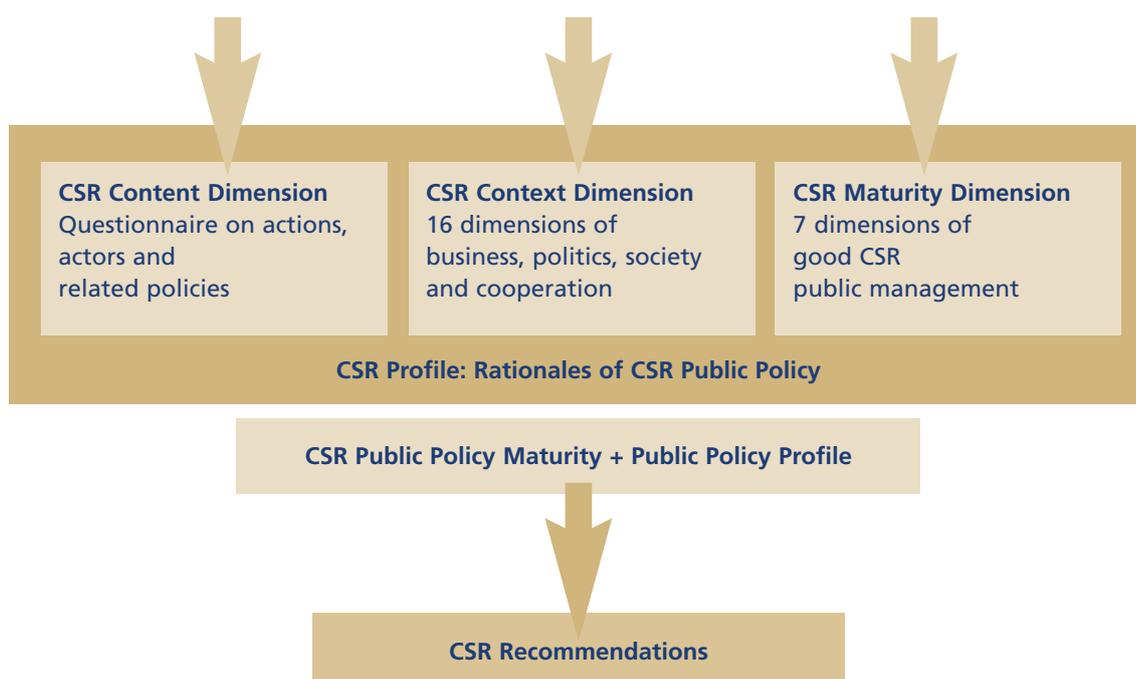
3. CSR Maturity Dimension: The third facet of this study sheds light on the management capabilities of country’s government with regard to CSR policymaking and policy implementation. It is possible to discern the presence of numerous actors and activities without being able to make claims about good governance. Good

governance is also about strategic and effective implementation of policies, cooperation between relevant stakeholders, as well as communication and evaluation of the policies that are implemented. Examples of the Maturity Dimensions are:

- Clearly defined and visible competency for CSR
- Existence of coordination point for various activities of government
- Integration of stakeholders into policy development
- Evaluation of activities is taking place and is fed into strategy

Leaning upon seven dimensions altogether for good CSR public management, we have defined three maturity levels of CSR public policy called *generations*. First generation countries are in the early stages of CSR policy development, second generation countries have already traveled some way and show activities relating to at least four out of seven dimensions, while third generation countries can be described as mature in that their CSR policy covers at least 6 of the 7 dimensions. With the help of this tool, not only does the current state of CSR become apparent, it also shows the way ahead for future CSR development.

Finally, these dimensions are brought together to create a country-specific profile. Additionally we have tried to determine *core CSR Rationales*, which are overarching



but not always explicitly stated targets that a country aims to achieve through its CSR policy.

Once the three dimensions of the national CSR policy profile are clear, the next leg of the journey becomes visible. Again, it starts with a question: Which area of the profile needs to be improved? Are societal actors working on the CSR agenda? Are companies addressed? Is the lack of cooperation a problem? Our recommendations are targeted at the weakest area of the profile, taking the maturity of current CSR public policy into account. Brief descriptions of first ideas of possible actions and instruments are given in each country profile.

Instruments and Instinct: Navigating CSR

Having analyzed the areas in need of further development in terms of CSR policy, the CSR Navigator Tool comes into play. It is not country specific and thus can be applied in any context if the profile of a country's CSR policy is clear. It allows for a selection of instruments that is quite precise and can enhance the country's current CSR situation.

We have used the experience of analyzing 13 countries to come up with a list of all major CSR public policy instruments that are applied at present. At the end of this study you will find an overview of all these instruments, categorized by the sector of a country they might influence and by the generation of CSR policy they

address. The CSR Navigator can help identify a set of instruments that will work for a country's specific situation.

The division by generations follows the logic of good public CSR policy management as applied to each country:

First generation instruments are **basic activities** to approach CSR. These instruments usually take place in closely related fields such as the environment or labor.

Second generation instruments are core activities that aim at **implementing** CSR. These instruments concentrate on specific issues and sectors such as reporting or public procurement.

Third generation instruments are about **stabilizing** and **spreading** CSR activities. These cutting edge instruments are connected to communication, efficiency, integration or assessment.

Of course, the CSR Navigator is not exhaustive, and some areas and issues might overlap. Nonetheless, it represents the first systematic overview of CSR public policy instruments and their specific uses as they enhance a society's ability to cope with problems and conflicts by distributing and sharing responsibilities among all societal actors.



Key Findings

As a cross-disciplinary subject, CSR is only beginning to reveal its potential. CSR has just recently developed from a mere business consideration to a conceptual framework that enables cooperative solutions to societal problems. Additionally, it has become an important tool to help countries everywhere address some of the key challenges posed by today's globalizing world.

This study focuses on CSR public policy in particular. The findings – based on an analysis of 13 countries in Africa, the Americas, Asia and Europe – have served to underline one of the study's main hypothesis, namely that *politics and public policy matter*. Governments around the world are clearly beginning to realize the benefits of using a range of instruments to align CSR and CSR-related policies with important goals in all policy fields. Here we present the study's most important findings in the hope that they might stimulate further discussion:

CSR public policy development is generic and based on the development and deployment of appropriate instruments. Since it is a relatively new issue for public policymakers, there are some fundamental steps governments take when approaching the subject, and their activities clearly build upon these basic measures.

- **Outspoken CSR countries** use partnering and awareness-raising activities to match their specific situation; they also have a range of incentives in place. Their *third generation* instruments help CSR to effectively complement other important policy goals. (UK, Sweden)
- **Solid CSR countries** with a longstanding CSR-related policy background – on environmental issues, for instance – will regard international standards as important and rely heavily on soft law. CSR instruments in these countries are basic *second generation tools*. (France, Germany)
- **Energetic CSR starters** usually show a high level of consistency in their CSR policies. These governments have defined the key areas of weakness and have found appropriate *first and second generation* instruments to address their rationales. (South Africa, Vietnam, China)

- **Slow CSR starters with a strong philanthropic tradition** attempt to go *beyond the first level* of instruments. Some rely on internationally accepted methods; others seek progress through national legislation. (Poland, Egypt)
- **Reserved CSR countries** often fail to identify those instruments that will help address their rationales and weaknesses. International competitiveness, for example, is difficult to promote without clearly addressing the corporate sector. These countries apply basic *first generation instruments* that are “must haves” internationally. (India, Brazil)

The context, especially political culture and societal conditions, will have an impact on the development of instruments applied by CSR policymakers.

- So called **strong states** having little experience or success with less formal cooperative approaches usually **mandate** more than average when it comes to CSR. (France, Poland, China)
- **Partnering** is clearly the preferred type of instrument for countries that regard transparency as important and that are rather **egalitarian** and good at **managing change** (UK, Sweden, Germany)
- Some **transforming countries** seem to address one specific rationale and adjust their complete CSR policy appropriately using the **full range of instruments** (South Africa, Vietnam)
- For **developing countries**, CSR needs to closely address the most pressing obstacles to development and needs to build trust. CSR is thus often about **good governance** (Mozambique).

CSR policymaking can develop when it builds on a country's existing instruments and identifies deficits in key focal points: the economy, civil society, politics and strategies for cooperation. The diagram below depicts the focus of future CSR development in the countries investigated:

Maturity Levels	First Generation No specific CSR policies, no competency, instruments in place may be related to CSR	Second Generation Basic CSR policies in place, significant CSR activities with core CSR instruments and initial partnerships	Third Generation Cutting-edge CSR policies, mature CSR practices and established partnerships
Recommended Focus for CSR Instruments			
CSR policy focus on economy 	Mozambique	China	United Kingdom
CSR policy focus on civil society 	Brazil, India	Vietnam	United Kingdom
CSR policy focus on politics 	Egypt, Poland	USA, China, South Africa, Germany, France	Sweden
CSR policy focus on cooperation 			United Kingdom

Way Ahead

The CSR Navigator gives a first overview of major public policy instruments in place. It is by no means an exhaustive list. Rather, both its current contents and its gaps suggest areas for further development of effective CSR instruments. The key observations here are:

- CSR public policy instruments are usually about strengthening one societal sector in terms of CSR. Clearly, most instruments target companies and their CSR-related activities. The field of politics is also relatively well addressed by existing instruments.
- However, very few instruments take the issue of cooperation and the role of civil society into account. There is definitely room for further development of CSR public policy instruments in these spheres.
- Many instruments that up to now only exist in the first or second generation could be further developed into the third generation, where they could then help to address broader policy goals.

Profiling and Navigating CSR public policies in Africa, the Americas, Asia and Europe

Brazil¹

12

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

¹ Authors of this country profile are Susanne Schaller and Alexander Kocks, Institute for Development and Peace, University of Duisburg-Essen. They were advised by Marcos Kisil, Institute for the Development of Social Investment (IDIS), University of São Paulo, Brazil.

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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China¹

28

Public Policy Rationales

- Enhance international economic competitiveness
- Address challenges to socio-economic integration

Public Policy Activities

- Mandating: Corporate governance, labor law, environmental impact
- Partnering: Addressing CSR-relevant issues with national business associations and with international bodies
- Creating voluntary frameworks as the basis for soft law

Public Policy Actors

- Ministry of Commerce of the People's Republic of China (MOFCOM)
- National Development and Reform Commission (NDRC)
- State Environmental Protection Administration (SEPA)
- Ministry of Labor and Social Issues

CSR-Relevant Context Factors

-  State in transition from a planned economy to an export-oriented market economy; development gaps between MNCs and SMEs
-  Socialist state, with a broad support base; low government capacity for law enforcement and implementation
-  Increasing intervention and participation of various interest groups and NGOs
-  Problems with coordination of participatory activities



■ Executive Summary

Profiling CSR

The People's Republic of China, an emerging global power, has been led by the Chinese Communist Party (CCP) since its founding in 1949. It has the world's fourth largest economy and the second largest purchasing power parity. With its vast population and growing economy, China's development affects all countries active in the global trading system. Since 1978, China's market-oriented reforms have had profound consequences for the country's often difficult political and economic relations, notably with the United States. Political decision-making is in close connection to the Communist party, and China's civil society is not fully autonomous. Due to the rapid liberalization of the economy, problems exist relating to law enforcement and corruption. The main challenges that China currently

faces are a rapidly aging population, demographic imbalances, rising rural-urban income gaps, migration into urban centers and environmental degradation. China's development in the area of CSR policymaking is guided by two important factors: a continued strong focus on the state as decision maker and a drive towards institutionalizing a functioning, growth-oriented market economy. Much therefore depends on the levels and depth of communication between the government and business sectors. While CSR trends are carried forward primarily by MNCs, CSR development in terms of legislation and implementation is undoubtedly a function of competencies within the public sector. Certain visible gaps in government capacity mean that the government is increasingly encouraging more voluntary and industry-centered attitudes toward CSR, at least in the area of domestic standards-setting. Taking into account the special place within Chinese life of traditional Chinese/ Confucian culture, which emphasizes philanthropy as a key virtue for individuals and companies, as well as current policy

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proposals designed to promote a “harmonious society,” the government appears to be engaged in a search for a particularly Chinese understanding of CSR.

CSR policymaking in China is led by the government’s interest in various areas that challenge its export markets and social cohesion. Key rationales are thus connected to China’s economic competitiveness and its socio-economic integration.

Navigating CSR

The government is increasingly active in the areas of legislating, creating partnerships and raising awareness regarding issues such as corporate governance, employee rights, occupational safety and health, and environmental degradation. The plethora of existing instruments indicate that China’s CSR public policy maturity is in its second generation, with room for greater coherence in how CSR is understood, the consolidation of coordination points and evaluation.

CSR-related policies are designed to reinforce each other and enhance China’s international economic competitiveness and to address the country’s main social challenges, such as migration, welfare, poverty and health. Against the background of its greater self-assertion as an international power, China would best be served by continuing on the pragmatic path of battling those areas

that arrest growth and development the most.

Furthermore, monitoring by external, nongovernmental bodies is recommended in order to allow for a smooth integration of the CSR agenda into the state’s economic, trade, and environmental policies, instead of only reacting sporadically to external pressures. Public policy would also benefit from greater legitimacy and plausibility, especially when backed up with good enforcement, for which greater training will be needed in the areas of monitoring, assessment and evaluation.



2nd CSR Public Policy Maturity Level

Second generation:

- CSR public policy is in the process of development
- There have been recent attempts to introduce CSR-related strategies with regard to labor, corporate governance and the environment
- The most visible activities are in the areas of mandating and creating partnerships
- There are high levels of communication regarding CSR

CSR Recommendations

- A coherent CSR strategy should be clarified and developed
- Local business, especially SMEs, should be incentivized more to take up the subject
- State-society dialogues on CSR should be initiated
- The issues of implementation and evaluation should be pursued



■ CSR-Relevant Context

Political, Social and Economic System

Home to 1.3 billion inhabitants, China is best described as the world's most populated regional player, with a strong foreign policy and international trade outlook. China is an active and influential member in or partner to most major international and regional organizations.

China's political profile is dominated by the CCP, which has both central and local organizations. Power is nominally shared with eight other parties. Organizationally, the CCP has a pyramidal structure based on the National Party Congress, which elects the Central Committee, which in turn elects the Politburo. The primary organs of state power are the National People's Congress (NPC), the president and the State Council. The country's legal system has played a significant role in the government's efforts to promote the rule of law. Legal reform became a government priority in the 1990s, but Western voices have continued to emphasize the necessity of further improving the human rights situation.

Understanding China's long national and cultural history is key to understanding China itself. The imperial dynastic system of government was overturned in 1911, and a weak republican government existed until 1949. In that year, after a long civil war, the Communist government proclaimed the founding of the People's Republic of China. Land reform (redistribution of land to peasants), social reform (equality of women, eradication of social distinctions), thought reform (attempts to eliminate corruption, waste and bureaucratic bottlenecks) and economic planning (collectivization of agriculture, industrialization) characterized the CCP's early rule, and many of these aspects are still crucial to the functioning of modern China. The Great Leap Forward in the 1960s and the Cultural Revolution under Mao from 1966 until 1976 were two major ruptures that had a profound influence on Chinese society. Deng Xiaoping took over after Mao's death in 1976 and embarked on a pragmatic program of modernization. Economic reforms that involved moving from a planned economy to a market economy were introduced in 1978 under the leadership of the CCP.

However, despite some attempts on the part of civil society, especially in the 1980s, to demand greater political

freedoms, the CCP remains in control of the press, the political opposition, civil society organizations and religious movements (MacFarquhar, ed., 1994; Kirby 2004). Legal registration is very difficult for NGOs and requires having a government sponsor. Still, civil organizations survive by making use of a variety of formal and informal identities. While the actual number of NGOs in China is unknown, it has grown significantly. The *Ministry of Civil Affairs* reports 280,000 registered NGOs in China for 2005, including some 6,000 foreign NGOs, up from a total of 4,800 in 1988.²

Chinese society is socially diverse, encompassing 56 official ethnic minorities, whereby the Han Chinese make up 92 percent of the population. In an effort to develop ethnic relations based on equality, solidarity, mutual assistance and harmony, the government has passed a Law on the Autonomy of Ethnic Minority Regions. China's population is also in a state of flux as a result of major migratory movements from rural areas into the cities in the east. The urban population is now about 40 percent of the total, not least as a result of major changes within the economic system since reforms began in 1978. Another key change has been the increasing number and influence of nongovernmental organizations (see above).

China is now one of the world's fastest growing developing economies, being the globe's fourth largest economy and a member of the WTO since 2001. As part of the multilateral trading system it has undertaken to liberalize its economy further and comply with international intellectual property rights laws.³ It is also the world's fifth largest exporter of merchandise, with a resource- and labor-intensive structure. Services exports are expected to be boosted by the 2008 Olympic Games in Beijing and the 2010 Shanghai World Expo. Real GDP growth has been an impressive 10 percent for some time now, but might ease to around 7 percent in the next four years. The government is attempting to increase the contribution of private consumption to overall growth, engineered by a fall in tax burdens, especially for the rural population. The main risks are high inflation rates and a major current-account surplus, with a record \$1.2 trillion in foreign-exchange reserves (Bloomberg 2007). Furthermore, the Chinese government is concerned with persisting poverty, slowly increasing farmers' income and an east-west disparity in development.

2 <http://yaleglobal.yale.edu/display.article?id=7902>

3 http://www.wto.org/English/thewto_e/countries_e/china_e.htm

Relationship Between Economy, Society and Government

Despite the CCP's continued control over political developments, the influence of people and organizations outside of the formal party structure has clearly increased, with relative liberalization taking place, especially in the economic realm. Policymaking in terms of agenda-setting, decision-making and implementation is therefore not entirely determined by the CCP anymore, but is increasingly situated within policy networks, mainly between the public sector and the business community. These developments are characterized by a high degree of political and economic pragmatism, coupled with a preference for issue-based and consensus-oriented decision-making. Moreover, despite the CCP's formal authoritarian structures, emphasis has always been placed on the party's legitimacy as deriving from a broad base of support.

Numerous factors have put pressure on the government to involve nonparty, nonstate and local actors; these include gradual discontent with inequitable social welfare provision, corruption and environmental degradation. In order to counter these challenges, local and central government bodies are working more closely to establish a basic nationwide social welfare system, which goes beyond the efforts made by local governments to date. Second, the rise in the number and influence of NGOs that deal with poverty alleviation and environmental issues has led to a broadening of the

forums that are consulted by the government. Third, in terms of developing the country's economic system, the relationship between the public sector and the business community remains close, although difficult. The success of reforms that led to the structural transformation of planned-economy/state-owned businesses to private enterprises with modern corporate governance structures has been mixed. The influence of the CCP and the public sector remains formidable in the area of Chinese foreign investment and in some regions of the country where free markets have not been successfully established. Simmering conflicts between the business sector and civil society are rooted in the widening gap between the rich and poor, as well as in the shirking of responsibility by companies that cause environmental pollution and ignore health and safety issues impacting their employees. Examples are firms involved in coal mining disasters across the country and the almost complete contamination of the Songhua river in China's northeast.

The Chinese government's reaction to these developments was to propose its "harmonious society" policy in 2005 as a guiding principle for government and as a vision to enhance public confidence in the regime. Emphasis is now placed on bettering conditions for disadvantaged groups such as peasants and migrant workers and on balanced and sustainable development. The vision of a harmonious society thus incorporates the rule of law, fairness, order and a balance between the needs of humanity and nature.

Facts and Figures		Source
GDP	2,234.3 billion US\$ (2005)	WB
GDP annual growth rate	10.4% (2006)	UNDP
Import of goods and services	31% of GDP (2004)	UNDP
Export of goods and services	34% of GDP (2004)	UNDP
Corruption Perception Index	3.3 (2006)	TI
Gini Index	41.0% (2006)	UNDP
Gender Equity Index	61 (2007)	Social Watch
Public health expenditure	2.0% of GDP (2002)	UNDP
Public education expenditure	5.29% (2002)	IMF
FDI inflow	14.2 billion US \$ (2006)	US-China Business Council
BTI Management Index	4.92, Rank 67	BST

Development of CSR Public Policy

When it comes to CSR, China, like many developing nations, is a late starter compared to European countries, especially considering that the country's policy priorities, especially since 1978, have been in the field of economic development and growth. However, the very policies of liberalization and reform, also determined by China's membership in the WTO, have made it increasingly necessary for China to tackle this issue on its own territory. The outcomes of China's rapid industrialization and the consolidation of a manufacturing base, particularly in the east of the country, have led to a greater awareness of three key issues that stand in the way of arriving at a harmonious society, namely environmental degradation, social inequality and lax labor standards, at least in the implementation phase. The increasing focus on CSR has also been triggered by major national events, such as the hosting of the 2008 Olympic Games in Beijing, under the banner of China's being green, cultural, and hi-tech. Moreover, the country's path of controlled democratization is indicative of the search for public policies, also in CSR, that are legitimized by political elites as well as by society at large.⁴ The combination of accepting the relatively stringent set of international norms and standards and of attempting to create uniquely domestic norms have led to a plethora of interpretations of the meaning and utility of CSR in China.

CSR Policy Rationale

However, it is possible to discern two key strategies that are being pursued through CSR-relevant activities, namely the enhancement of international economic competitiveness and the resolution of socioeconomic problems. China has chosen a pragmatic approach to CSR, especially in the area of standards-setting. This is a function of China's overall development as a dominant player in the Asian export sector, one with a growing manufacturing sector as its base. The Chinese economy is closely linked to the demands of importers and supply-chain customers, who in turn react to trends that dominate consumer attitudes, particularly in Europe and North America. Part of this pragmatic approach is therefore also connected to risks arising out of reputational damage.

On the other hand, a number of challenges pose serious threats to China's social stability. These include the widening gap between rich and poor, widespread environmental degradation, mass migration to urban centers and discontent regarding inadequate labor conditions. CSR-relevant policymaking is thus a response to the double-edged sword of economic and social development.

■ CSR Situation

CSR Public Policy: Understanding, Strategy

The lenses through which CSR is seen are therefore domestic interests as defined by a desire for international trade competitiveness and the goal of ensuring a modicum of equitability within society. The harmonious society program encompasses a number of policy areas, including CSR.⁵ Given the importance of regionalism within China's overall development, there is a marked bias towards regional and sectoral CSR strategies. Thus there is no discernable overall strategy or policy paper that might serve as a general guideline. One example is a policy under consultation in the city of Shenzhen, which sets out to create an institutional framework in order to embed and develop CSR.

CSR-relevant public policy touches on a number of issue areas: labor (standards of occupational health and safety, working conditions, labor benefits, equal compensation, employee training and development), corporate governance and environmental protection.

4 http://www.wacc.org.uk/wacc/publications/media_development/archive/2002_1/the_role_of_media_in_china_s_democratisation

5 http://www.chinadaily.com.cn/bizchina/2006-10/27/content_718548.htm

CSR-Relevant Policies		
Name	Date	Description and Reference
Harmonious society	2005	Program to shift the focus of the government's agenda from "economic growth" to "social harmony"; main goals, as proclaimed by President Hu Jintao: development of democracy, rule of law, justice, sincerity, vitality and amity, a better relationship between the people and the government and between the country's citizens and nature. http://www.china.org.cn/english/2006/Oct/184810.htm
Public hearing on promoting CSR development in Shenzhen	Under consultation	The consultation takes into account that CSR development is a necessary step for a city like Shenzhen to become institutionalized and competitive. The aim is to arrive at an institutional framework to embed and develop CSR. http://news.xinhuanet.com/local/2007-01/11/content_5590352.htm

CSR Public Policy: State Actors

Different understandings of CSR, which vary widely between standards-setting, corporate public relations and corporate philanthropy, as well as the range of CSR activities, mean that various government departments are involved in CSR-related policymaking: the *Ministry of Commerce of the People's Republic of China (MOFCOM)*, the *National Development and Reform Commission (NDRC)*, the *State Environmental Protection Administration (SEPA)*,

the *Ministry of Labor and Social Issues*, the *State-Owned Assets Supervision and Administration Commission*, and the *State Administration of Work and Safety*.

Apart from a lack of a common understanding of CSR, the public sector's development regarding CSR is impeded by several factors: the lack of cooperation among different government departments; overlapping areas of responsibilities; a lack of information about best practices and good partners; and weak enforcement.⁶

Selected CSR State Actors		
Name	Description	Main Activities
Ministry of Commerce of the People's Republic of China (MOFCOM)	National authority set up to formulate development strategies, guidelines and policies related to domestic and foreign trade, to draft laws and regulations, to devise implementation rules and regulations and to bring Chinese economic and trade laws into conformity with multilateral and bilateral treaties and agreements	Responsible for economic measures such as tariffs and for screening and evaluating the CSR performance of exporting companies. http://english.mofcom.gov.cn/

National Development and Reform Commission	Macroeconomic body under the State Council, which formulates policies for economic and social development.	Develops and oversees economic restructuring, management of oil reserves, sustainable development activities and social development. http://en.ndrc.gov.cn/brief/default.htm
Ministry of Labor and Social Security	Set up in 1998, it is the former Ministry of Labor, under the State Council.	In charge of the administration of national labor and social assistance programs, mainly including labor force management, labor relationship readjustment, various activities related to social insurance management, and legal aspects of labor and social welfare. http://english.gov.cn/2005-10/02/content_74185.htm
State-Owned Assets Supervision and Administration Commission	Investor of state-owned assets on behalf of the government of China	In charge of guiding reforms of state-owned enterprises, formulating rules and regulations, setting up systems of accountability and setting up an effective supervision system. http://english.people.com.cn/200305/22/eng20030522_117060.shtml
State Administration of Work Safety	Set up to undertake the work of the State Council Work Safety Commission	Oversees and administers work safety nationwide; organizes drafting of general laws and administrative regulations on work safety; promulgates general regulations on work safety of industry, mining and commerce and organizes implementation; oversees issuance and management of work safety licenses (excluding coalmining enterprises). http://www.gov.cn/english/2005-10/20/content_80534.htm
State Environmental Protection Administration	Upgraded from sub-ministry status to a full ministry in 1998	Formulates national policy, laws and administrative regulations for the environmental impact assessment of major economic and technological policies, development planning and key economic development plans; formulates national environmental protection plans. http://www.chinacp.com/eng/cporg/cporg_sepa.html

CSR Public Policy: Nonstate Actors

Key nonstate actors in the field of CSR development are private business coalitions and associations, multinational corporations (MNCs), state-owned enterprises, trade unions, public foundations, NGOs and academic institutions.

MNCs in particular, including domestic MNCs and state-owned enterprises, clearly take the lead in CSR development in China, not least due to longer-standing experi-

ence in this sector, despite the well-known problems of violations of laws, regulations and standards within complex supply chains and hierarchical management systems. The *State Grid Corporation* in China, for example, announced its first CSR report in 2006.⁷ Core activities are joining CSR initiatives as well as assuming responsibility within companies by designating corresponding departments. On the other hand, there is little CSR-related development to be seen within many large and midsized domestic private companies, which still regard CSR as a cost factor rather than an investment.

⁷ http://www.syntao.com/E_theme.asp?ThemeID=24

Trade unions are important for CSR development to a lesser degree, although there is increasing activity in the areas of migrant workers. Although the main driver remains the *ACFTU (All-China Federation of Trade Unions)*, local leadership elections are leading to more regionally and locally differentiated policies.

Civil society organizations, such as private and public foundations, international and national NGOs⁸, also have an increasingly important role to play in CSR promotion

in terms of training, communication, disclosure, campaigning and watchdog functions.

Finally, a significant amount of CSR research that is used in policymaking and dissemination of information is carried out in various academic institutions and think-tanks. Given the strong interest in CSR, both government and business fund a number of institutes throughout the country.

Selected CSR Nonstate Actors		
Business Actors		
Name	Description	Main Responsibilities /Activities
Various enterprises such as NIKE, ADIDAS, BASF, Bayer (international), Lenovo, COSCO, CNOOC (national)	Major business players at a global level	Partner with CSR initiatives such as with national chambers of commerce (AmCham-China, EuChma-China); respond to CSR developments by setting up positions for CSR management in China; advocate for capacity-building of local suppliers (BASF and the China Business Council for Sustainable Development).
Trade Unions		
ACFTU (All-China Federation of Trade Unions)	Umbrella organization for all Chinese trade unions	Presses for migrant workers' rights, e.g. 2006 campaign with the Ministry of Labor and Social Security and the Ministry of Construction to help migrant workers win back overdue wages. http://www.acftu.org.cn/index2.htm
ACFTU regional offices	Regional branches of the ACFTU	Works to support the establishing of trade unions in MNCs. Examples: ACFTU Zhejiang pushed McDonald's to establish a trade union in Zhejiang Province in 2007; ACFTU Guangdong put pressure on McDonald's, KFC and Pizza Hut regarding low wages for part-time workers.
Civil Society (International and National NGOs, Foundations)		
Asia Foundation	Nonprofit, nongovernmental organization based in the US	With the support of the Levi Strauss Foundation (LSF) the AF developed a program in China to supplement existing LSF programs and to improve workers' rights and protection in the Pearl river delta. http://www.asiafoundation.org/
WWF	International NGO	WWF China builds partnerships with MNCs and conducts campaigns and projects in the field of sustainable development. http://www.wwfchina.org/

⁸ It is worth mentioning that Chinese NGOs have to be registered with the Ministry of Civil Affairs.

ICO (Institute of Contemporary Observation) of Shenzhen	Civil society organization concerned with labor development and CSR	Carries out watchdog activities, organizes campaigns on labor rights. http://www.ico-china.org/guwm1/English/Eksy.asp
Global Village of Beijing	National NGO	Partners with business and conducts environmental campaigns on electronic recycling programs. http://www.gvbchina.org/
Chinese Productivity Distribution and Regional Economic Development Committee (CPDC)	Forum for awareness raising	Conducts annual CSR conferences. http://www.cpdc.org.cn
China Association for NGO Cooperation (CANGO)	National NGO, concerned with the creation of an NGO network	Develops relations with foreign NGOs and donors; supports field projects in the areas of health, education, sanitation, income generation and civil society partnerships http://www.cango.org/english/
China Corporate Citizenship Committee	Advocacy forum, founded in 2004	Awards an annual prize for Best Corporate Citizenship http://www.c-c-c.org.cn
Research Institutes		
Peking University Law School, Research Center of Corporate Governance at Nankai University, China Institute of Industrial Relations	Specialist centers at academic institutions concerned with influencing CSR development	Carries out extensive research in the areas of labor issues and corporate governance (including the development of stakeholder and transparency indicators)
Guangdong CSR Research Institution	Newly founded organization by academics and entrepreneurs in Guangdong Province	Research activities

CSR Public Policy: Instruments and Activities

a. Mandatory Framework

The two main aspects of China's existing mandatory framework in the realm of CSR or CSR-related activities are the implementation of national (rather than international) law and the modernization of corporate governance structures through regulation, especially of listed

companies. Laws and regulations pertaining to nonlisted companies exist at a basic level and are concerned mainly with environmental reporting. Labor laws and environmental reporting laws are currently the backbone of CSR-related developments in legislation and are based on ensuring compliance through penalizing offending companies. China ratified ILO Convention No.155 on occupational safety and health this year.⁹

⁹ <http://www.ilo.org/public/english/region/asro/beijing/index.htm>

A number of laws, dating from 2002 to 2007, have been legislated and implemented in the area of corporate governance. These include company, securities and bankruptcy laws, as well as corporate governance and disclosure measures for listed companies.

So far, the Chinese government has refrained from legislating in the less well known and less established areas of CSR reporting, SRI (Socially Responsible Investment)¹⁰, philanthropy and community development. However, in addition to some foreign funds which are testing the waters in China, the *Bank of China International Investment Managers (BOCIIM)* launched the Sustainable Growth Equity Fund in 2006, the first SRI fund in China. The fund combines quantitative screening with qualitative assessment on issues such as corporate governance and social responsibility.¹¹ In the same year, the Shanghai Pudong Development Bank released a CSR report that indicated that the bank will consider social and environmental factors in its decision-making.

In addition, the government does encourage companies to follow CSR standards on reporting issues, although this area is still in its early stages of development. While reporting on environment and transparency issues is mandatory, CSR reporting as such is only recommended. For these topics, there are government regulations in place that deal with inadequate or misleading reporting. The main focus, however, is on dealing with problems of corruption concerning listed companies. The Campaign on Improving Corporate Governance for Listed Companies was designed for this purpose. As such, it takes three aspects of corporate governance into account: the corporate governance structure, the internal control system and transparency.¹²

Some noticeable efforts have taken place since 2006 regarding green procurement. Government procurement can now only take place if the products in question have been awarded the China Green Label.¹³

CSR-Relevant Legislation			
Name	Date	Description	Reference
Corporate Act	January 2006	This important act mentions social responsibility as a general principle, stating that companies comply with business ethics and legislation	http://www.gov.cn/ziliao/flfg/2005-10/28/conent_85478.htm
Labor Contract Act	Under consultation	Relevant to labor issues, the act lays out specific requirements on contract processes, revisions or terminations, as well as specifying legal responsibilities once violations occur	http://www.law-book.com.cn/fzdt/newshtml/20/20060320231100.htm
The Environmental Impact Assessment Act	September 2003	This act is concerned with environmental due diligence; states that an environmental impact assessment (EIA) has to be carried out for all planned projects and that EIA reports are to be provided to the governments. The launching of projects therefore is contingent on the acceptance of the EIA reports by the environmental protection bureaus	http://news.xinhuanet.com/zhengfu/2002-10/29/content_611415.htm

¹⁰ Although a little known concept in China, there are indirect measures to promote responsible investment through guidelines for public procurement (http://www.ccgp.gov.cn/environment_conservation_2007) and for foreign direct investment (http://www.fdi.gov.cn/pub/FDI_EN/Laws/law_en_info.jsp?docid=51089).

¹¹ <http://www.socialfunds.com/news/article.cgi/2026.html>

¹² http://www.gov.cn/gzdt/2007-03/18/content_553737.htm

¹³ http://www.ccgp.gov.cn/environment_conservation_2007/

The Cleaner Production Promotion Act	January 2003	Relevant to corporate environmental disclosure, Article 17 states that environmental protection agencies can publish the names of polluting companies in mass media. Article 31 states that companies listed in Article 17 should publicly announce the details of their emissions	http://past.people.com.cn/GB/huanbao/55/20020703/766893.html
Environmental Disclosure Regulation (trial)	May 2008	Regarding corporate environmental disclosure, the aim is to regulate and enforce environmental disclosure of both government and business	http://www.chinagateway.com.cn/chinese/hj/73579.htm

b. Soft Law

While there is no explicit Chinese strategy for CSR, there is recognition of the need for coherence and harmony with the international framework. Chinese legislation relating to environmental, labor and other social issues is comprehensive and, in general, linked to most international conventions that China is part of but has not always ratified, such as the ILO conventions on minimum employment ages and discrimination, the OECD guidelines on multinational enterprises, the Global Compact principles and the UN conventions on corruption, equal pay for men and women, racial and gender discrimination, and child labor. While most of these instruments are implemented (and sporadically violated), it is noteworthy that the Chinese government focuses most heavily on the UN convention against corruption, which calls for a high degree of acceptance of multilateralism as a legitimate source of soft power and law.

However, the Chinese government generally endorses these international instruments to the extent that it perceives of them as being consistent with domestic guidelines. Imported voluntary CSR standards and guidelines, e.g. SA8000, are not yet fully accepted by the public sector. This also has to do with China's interest in evolving national and domestic codes. Hence, companies are encouraged to adopt domestic standards and guidelines, e.g. the *Shenzhen Stock Exchange's* CSR Guideline for Listed Companies, the *Shanghai Banking Regulatory Commission's* CSR Guideline for the Banking Industry, and CSC9000T (a guideline for the textile industry created by the *China National Textile and Apparel Council*).

c. Initiatives and Partnerships

Most partnerships in the area of CSR are of a bilateral nature, i.e. with international organizations or govern-

mental bodies. There are very few instances of domestic partnerships. Some partnerships are related to ensuring compliance with minimum standards in the areas of employee rights and corporate governance. While compliance is secured mainly by the government, there are a few instances of partnering with nonstate actors in the case of specific projects. Some examples are the project Legal Aid Station for Migrant Workers (by the government of Belgium and UNDP, supported by the Chinese *Ministry of Justice* and *Ministry of Commerce*), efforts by MNCs in China to establish trade unions (*All China Federation of Trade Unions*, backed by the *Ministry of Labor and Social Security*) and the anti-corruption project Integrity in Governance in China (by the Chinese *Ministry of Supervision* and UNDP).

Other cooperation partnerships, although few in number, have been established in the respective areas of environmental protection and poverty alleviation. China Green Watch and the environment-oriented *Enterprise Consultancy Zhejiang (EECZ)* are two examples. *China Green Watch* is a pilot project, in which the *State Environmental Protection Administration* cooperates with the World Bank in the city of Zhejiang in ranking corporate environmental performance into five classes. The EECZ is a Sino-German program in Zhejiang Province, concerned with reducing pollution caused by industrial activities and hazardous waste. Germany's *Gesellschaft fuer Technische Zusammenarbeit (GTZ)* is the German partner and implements this program in cooperation with the *Zhejiang Environmental Protection Bureau* and the *Zhejiang Economic and Trade Commission*, which also addresses CSR issues.¹⁴ A different bilateral cooperation project is the Sino-German Corporate Social Responsibility Project that is jointly implemented by *GTZ* and the *WTO department* of the Chinese *Ministry of Commerce* on

¹⁴ <http://www.gtz.de/en/weltweit/asien-pazifik/china/8631.htm>

behalf of the German and Chinese governments. The four-year project, which commenced in April 2007, aims to assist China in developing a Chinese approach to CSR and is unique in that it is the first bilateral cooperation to focus exclusively on CSR in China.

Regarding poverty alleviation, the Guangcai Program, comprising the model Company + Farmers is a nationwide PPP with a number of participants: government, NGOs, businesses and farmers.¹⁵

There are also collaborative projects that deal specifically with CSR. Until the end of 2006, the foreign trade organization of Germany's retail sector (*Aussenhandelsvereinigung des Deutschen Einzelhandels*) cooperated with GTZ, economic umbrella organizations and regional civil organizations to set standards. Roundtables held in this context have effectively directed attention towards a country-specific CSR concept, not only through discussion but also through the selection and promotion of relevant policy instruments.

A further important partnership is the Factory Improvement Training Project, driven by *InWent (Capacity Building International, Germany)*, *TÜV Rheinland* and *CSR Asia* as a PPP that seeks to develop a multisupplier training program for China's apparel sector.

d. Incentives

To date, disincentives, such as penalties and fines in the case of noncompliance with mandatory standards, are the preferred tools within the public sector to encourage responsible business behavior. Municipal governments, for instance, publish lists of companies that violate labor or environmental law. The structure of providing direct incentives is weak since CSR is still seen as a cost, not an opportunity, and since those government departments as yet concerned with CSR are unable to provide incentives to business. At the same time, the more traditional field of corporate philanthropy is an area where tax incentives are provided.¹⁶

Disclosure is another method of providing incentives for CSR, especially in the case of environmental degradation. For instance, the 2007 Measures for Environmental Information Disclosure, released by the *State Environmental Protection Administration*, help NGOs to access information and monitor corporate behavior. Such measures are strengthened further by government-backed events and

award programs. Some notable examples are the *China Philanthropy Board* (the top 10 philanthropic companies as determined through a government program) and the Poverty Alleviation Award (given by the government-backed NGO *China Foundation for Poverty Alleviation*).

e. Awareness Raising

In terms of awareness raising, it is fair to state that the Chinese government sees itself as as much in need of understanding and clarification of the concept of CSR as other relevant actors. It has thus embarked on a number of activities designed to raise awareness and conceptualize CSR in China.

In addition to greater involvement by international and national NGOs in the development of CSR, the government is involved in policy dialogues with international organizations. An example is the Global Compact Shanghai Summit in 2005, designed to enhance communication between the *UN Global Compact office* and the government.¹⁷ Furthermore, dialogues take place between the OECD, the government and businesses in order to raise awareness within the Chinese business community about pertinent CSR issues.

Media reports are also increasingly important methods of awareness raising. In this case, it is clear that many Chinese government departments are beginning to take a proactive role by making public statements and publishing articles, e.g. in national newspapers and in the monthly WTO Tribune Magazine. Praise for CSR-related activities, coming from high-level government officials and leaders, has an important role to play in communicating CSR agendas, especially in the context of implementing the harmonious society program. For example, upon reviewing the *State Grid Corporation's* 2006 CSR report, Prime Minister Wen Jiabao noted that "business should be responsible to society and be disciplined by the public."

Labels are further instruments used to disseminate the notion of responsible production and consumption. Examples include Green Food, Energy Conservation Product, Water Conservation Product, Green Star, China Environmental Labeling, Organic Food, Green Choice and Healthy Friendly Building Materials.

Finally, awareness raising also takes place by putting greater emphasis on relevant research, training and

15 <http://www.cspgp.org.cn>

16 <http://www.chinatax.gov.cn/view.jsp?code=200607211116285586>

17 http://www.unglobalcompact.org/docs/news_events/9.3/shanghai_finrep.pdf

education in higher education institutions, as noted in Section 3.3. In this respect, the government has started to take the training of managers seriously. One example is the *EECZ* project in Zhejiang Province, whereby the training model consisted of training a local consultant who subsequently trained other corporate managers (“train the trainer”).

China’s importance as a key exporter and investor in the international trading system. However, there is no visible and structured integration of stakeholders by the government, and responsiveness therefore remains at a low level. The government is active in CSR-related areas through a number of instruments, mainly awareness raising, mandating and partnering.

Main CSR Awareness-Raising Instruments	
Name	Description
Policy dialogues	<ul style="list-style-type: none"> • Global Compact Shanghai Summit, 2005; designed to enhance communication between the UN Global Compact office and the government • OECD, government and business dialogues; enhance understanding of CSR
Media reports	<ul style="list-style-type: none"> • WTO Tribune Magazine; monthly newsletter • National daily newspapers
Labels	Green Food, Energy Conservation Product, Water Conservation Product, Green Star, China Environmental Labeling, Organic Food, Green Choice and Healthy Friendly Building Materials
Research and training	<ul style="list-style-type: none"> • “Train the trainer” project within the EECZ project in Zhejiang Province • Peking University Law School • Research Center of Corporate Governance at Nankai University • China Institute of Industrial Relations

■ CSR Public Policy Maturity

China’s public policy maturity can be assessed as being in the second generation, i.e. the development and application of CSR policy is taking place. While there is no clearly defined contact point for CSR within government, the issue of CSR is of interest, and strategies relating to CSR have been developed. These are in the areas of corporate governance, environmental protection and workers’ rights. Various public bodies deal with these and related themes. There is a high level of communication and dialogue regarding the understanding and role of CSR in China, in the context of the harmonious society program as well as in the context of

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Egypt¹

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Public Policy Rationales

- Build upon traditional values while establishing modern economy
- Promote local export-oriented business

Public Policy Activities

- Soft law: Endorsing OECD guidelines and ISO standards, implementation of corporate governance codes for state/nonstate companies
- Partnering: Numerous PPPs in the field of community development
- Awareness raising: Capacity building and communication on international standards

Public Policy Actors

- Environmental Protection Fund (EPF)
- Egyptian Institute of Directors (EIoD)
- National Council for Childhood and Motherhood (NCCM)

CSR-Relevant Context Factors

-  Export-oriented market economy and increasing level of integration into global economy
-  Low levels of democracy and government capacity for law enforcement and implementation
-  Highly important traditional values such as culture of giving influenced by strong religious beliefs and a strong role of religious organizations
-  Low level of political participation of societal actors, especially NGOs



■ Executive Summary

Profiling CSR

Egypt is as an Arab republic with a democratic socialist system. It is in economic transition from a centrally planned economy to an export-oriented market economy and has a nascent importance at the global economic level. After centuries of subordination to foreign rule and a struggle for independence, the modern Egyptian state is the product of a historically rooted political and religious culture and of the state-building efforts of its modernist founding leaders, Gamal Abdul Nasser and Anwar Al Sadat. Long-standing traditions of centralized government have persisted into modern times, but Egyptian society is also characterized by its efforts to foster a strong national identity. Religious beliefs, in particular Islam, have had a notable influence, as have

the tradition of giving back to society and the values that stem from it.

CSR in Egypt is an emerging phenomenon and is understood mainly as a philanthropic concept. The most important public authorities involved in CSR-related issues are the *Environmental Protection Fund (EPF)*, the *Egyptian Institute of Directors (EIoD)* and the *National Council for Childhood and Motherhood (NCCM)*. However, these and other ministries have not yet coordinated their respective activities. So far, there is no explicit CSR public policy, but, due to the presence of a strong state, numerous laws and regulations do exist pertaining to corporate governance, consumer protection and reporting and environmental issues. There are also a number of PPPs, mainly in the field of community development and awareness raising of international standards and guidelines.

¹ Author of this country profile is Anna Peters, Bertelsmann Stiftung. She was advised by Ali Mokhtar and Passinte Iszaak of the Center for Development Services, Cairo, Egypt.

In view of Egypt's economic reform agenda and its strong culture of philanthropy, CSR policy is in accord with traditional values and is inspired by the Islamic and Christian faiths, especially in the field of philanthropy. Aimed at strengthening the local economy, which is dominated by SMEs, CSR is beginning to gain global momentum.

Navigating CSR

Egypt's public policy maturity in the field of CSR is assessed as being in the first generation and moving towards the second generation. The term CSR has not yet taken hold in any public sector agencies; discussions around the concept are still at the conceptual level and attempts to promote it are hindered by a number of factors, such as the existence of high bureaucratic barriers and a systemic lack of law enforcement.

CSR public policy development in Egypt would benefit first from the development of a coherent understanding of the concept by the government, taking into account existing philanthropic and religious values and structures, which provide an enabling environment. Second, CSR public policy would further benefit from institution-

alizing dialogue between state, business and societal actors regarding the understanding and potential of CSR for Egypt's overall development. The importance of the role of the NGO sector in particular, which after long decades of state-control has just recently been revitalized, could thus be underscored. The implementation of public policy is a greater challenge in this context. In order for existing policies to be effective, societal cooperation and the willingness to work in cross-sectoral partnerships to create synergies and foster mutual trust needs to be enhanced. Given Egypt's strong legislative drives but evidence of poor implementation and enforcement, in the future greater stress will have to be put on voluntary agreements.

CSR Public Policy Maturity Levels

Late first generation:

- CSR public policy is in the process of development
- Low level of strategy development, no coordination
- Some activities are in place, mostly regarding corporate governance and quality management; some PPPs in the field of community development
- Stakeholders are not taken into consideration
- The level of communication is low, evaluation does not take place

CSR Recommendations

- Coherent and modern CSR understanding and strategy, based on philanthropic and religious traditions, should be developed
- Implementation is recommended that stresses voluntary initiatives and incentives more than mandatory obligations
- Civil society organizations should be enhanced and involved
- Creating greater cross-sectoral CSR dialogues between state, business and civil society should be considered



■ CSR-Relevant Context

Political, Social and Economic System

Egypt's constitution defines the country as "an Arab republic with a democratic, socialist system." Political power is shared by the president, cabinet, legislature and court system, but the president is constitutionally the center of power. The president is elected by referendum for a period of 6 years and has the power to appoint, dismiss and dissolve the other three elements of the system. Egypt is divided into 26 governorates, each headed by a governor who is appointed by the president. Within their districts, local government units establish and manage all public utilities, provide services and designate industrial areas.

Modern Egypt is the product of a historically rooted political and religious culture and of the state-building efforts of its founding leaders, Gamal Abdul Nasser and Anwar Al Sadat. Egypt's centuries of subordination to foreign rule, its long struggle for independence and its continuing dependency on other countries has generated a powerful sense of nationalism that continues to frame its politics. The 1952 revolution against the traditional monarchy, led by Gamal Abdul Nasser's group of nationalist-reformist Free Officers, gave birth to the contemporary republic. Nasser forged the new state, suppressing the rudiments of pluralism and creating a president-dominated, military-led authoritarian-bureaucratic regime with a single party and a subordinated parliament, press and judiciary. While retaining the essential structures of the Nasserist state, Nasser's successor, Anwar Al Sadat, carried out limited political liberalization and an economic and diplomatic *infitah* ("opening" or "open door") to the West. The current president, Husni Mubarak, has consolidated Sadat's policies of limited political liberalization and pledged continuation of economic reforms.

The political system is based on a multiparty system, although the formation of religious-based political parties is legally prohibited. The National Democratic Party currently holds the majority of seats in the People's Assembly.² Today, Egypt is politically stable, but has experienced much unrest in recent years. One of the challenges it faces is the rise of the Muslim Brotherhood, which captured a fifth of parliamentary seats in the 2007 elections. Government harassment of the group

has intensified, with hundreds of members having been arrested.³ A further reason for unrest is the recently announced democratic modernization that Mubarak wants to push forward, even though campaigners for reform have been arrested. Political and social unrest is also reinforced by weak regulatory and legal mechanisms. Due to low levels of transparency and accountability, the enforcement of laws related to issues such as human rights, environment protection, labor wages and employment is especially weak. However, the government has tried to respond by implementing a wide array of measures to improve service delivery, endorse transparency and reduce corruption, which still remains at a relatively high level.

Egyptian culture is strongly influenced by religious beliefs. For more than 1,000 years, the country has been mostly Islamic. However, there is also a Christian minority, the Copts, which account for as much as 8.5 percent of the total population. As such, Egypt has a powerful culture of giving, practiced in both the Christian tradition of *ushur* (tithing) and the Islamic tradition of *zakat* (alms-giving). Loyalty and solidarity are paramount values and often override most other societal rules. Nevertheless, with increasing globalization the influence of Western culture is constantly growing, leading to some extent to a concern that materialism is increasing among the younger generation.

From the early 1980s onwards, the Egyptian national economy has been growing as a result of economic and structural reforms. Since 1974, the government started to encourage private investment by moving from a centrally planned economy to an economic policy characterized by openness and indicative planning. At the same time, the period of reforms was accompanied by the government's inability to fulfill the needs of the disadvantaged, which led to the launch of the Economic Reform and Structural Adjustment Program (ERSAP) in the early 1990s. This reform package decreased subsidies, revised tax rates, froze public sector investments, liberalized financial and foreign exchange markets, liberalized trade, deregulated prices, encouraged private sector reforms and privatization, and offered a social package for safeguarding the interests of socially vulnerable segments of the population during the period of economic transition. Legal reforms in the areas of investment, taxes and labor were also undertaken to enable these reforms to take hold. As a result, the

² http://www.presidency.gov.eg/html/political_system.html

³ "The small gains for democracy are now being rolled back," *The Economist* print edition, March 15, 2007. Available: http://www.economist.com/displayStory.cfm?story_id=8861479

country's growth rate has risen from 3.5 percent to 6.5 percent in recent years. The private sector's contribution to the gross domestic product (GDP) has risen from 30 percent to 80 percent over the past 15 years. Egypt sold off 190 state-run companies and facilities from 1990 to 1997, garnering proceeds of 17 billion Egyptian pounds (\$2.7 billion). However, the state still controls the extractive industry.

Currently, there are three sectors driving the progress of the Egyptian economy: agriculture, energy and tourism. Approximately one-third of Egyptian labor is engaged directly in farming or the trading of agricultural products. The Egyptian tourism industry is one of the most important sectors in the economy in terms of high employment and incoming foreign currency but has suffered since 1992 because of intermittent terrorist attacks. Nevertheless, government efforts to crack down on terrorism have countered this trend. The informal sector accounts for a high degree of employment in Egypt. Projected benefits of formalizing this sector include securing higher wages, social insurance and job stability for workers, as well as increased income from taxes for the government and higher quality products for consumers.

Relationship Between Economy, Society and Government

The two main drivers of socioeconomic change are the government and the business sector, comprising both

state-owned and private businesses. A large number of religious and nongovernmental organizations are also influential forces for social change. The NGO sector in Egypt is still in the process of developing its identity. Due to legal constraints, all NGOs existing prior to 1952 were either dissolved or were limited in their activities. Only in the early 1990s did the state revitalize the role of civil society organizations by allowing them more freedom to act. Civil society organizations were then viewed as alternative channels for realizing the government's policies and supporting its reform plans. Since there is no mandatory corporate contribution for societal purposes, an increasing number of companies donate to NGOs and religious organizations. To make use of this philanthropic giving in a more strategic way, the minister of health approached the Islamic Faith Leaders in April 2007 for support and approval to allow a portion of the zakat contributions to be given to the ministry so it can enlarge its capacity to reach the poor and provide them with the needed healthcare. To date, NGOs are active mainly in the areas of poverty alleviation, environment, women's empowerment and human rights.⁴ Besides redirecting money to the poor and supporting local community development, watchdog and lobbying institutions also play their traditional roles, albeit to a lesser extent.

The relationship between the public sector and the business community is much more extensive, as the main economic goal of the government's economic reform is the transition to an efficient market economy and a less-

Facts and Figures		Source
GDP	89.4 billion US\$ (2005)	WB
GDP annual growth rate	4.9% (2005)	WB
Import of goods and services	29% of GDP (2004)	UNDP
Export of goods and services	29% of GDP (2004)	UNDP
Corruption Perception Index	3.3 (2006)	TI
Gini Index	34.4 (2006)	UNDP
Public education expenditure	3.9% of GDP (1991, no current data available)	UNDP
Public health expenditure	2.5% of GDP (2003)	UNDP
Gender Empowerment Measure	0.262 (2006)	UNDP
Unemployment rate, annual average	8.0 of labor force (1995-2005)	UNDP
BTI Management Index	4.15 Rank 92 (2007)	BST
Seats in parliament held by women	3.8% of total	UNDP

4 <http://www.embassy-avenue.jp/egypt/politics.htm>

ening of Egypt's reliance on imports. The Industrial Modernization Program (IMP), launched by the government to renew the country's industrial sector, is one example of the cooperation between state and business. The IMP's aim is to provide technical assistance to private enterprises during the transition.

The role of the trade unions is extremely restricted as the government keeps tight control over them by obliging them to affiliate with the *Egyptian Trade Union Federation (ETUF)*, with which it has a close relationship. The unions' ability to strike legally is virtually nonexistent. Although Egypt has ratified the International Labour Organization (ILO) conventions protecting trade union rights, security forces have often used violence to bring an end to industrial disputes.⁵ Over the last year trade unions have tried to overcome these barriers. The *Centre for Trade Union and Workers' Services (CTUWS)*, an independent NGO, supported workers and veteran trade unionists who called for establishing free and independent trade unions, but was closed by the government in April 2007.

Development of CSR Public Policy

CSR public policy in Egypt is still in a nascent stage. Generally, philanthropy in Egypt has a long history, as it is practiced in both the Christian and Islamic faiths. Christians practice *ushur* (tithing) and Muslims *zakat* (alms-giving). This money is usually used to provide the poor with food and clothes, as well as educational or health services. Egypt's history is full of examples of the corporate sector contributing to community development, although economic changes in recent decades have largely altered the nature of corporate engagement, acting as either a catalyst or a barrier to many philanthropic activities. Before the revolution of 1952, Egypt's educational and healthcare facilities were established through corporate giving. These corporate social development efforts stopped, however, after the 1952 coup d'état and the subsequent nationalization of the country's major companies. Afterwards, the private sector consisted mainly of small businesses, which were unable to continue much of the charitable work done by larger, industrial companies. This affected the country's attitudes toward philanthropic giving, as did the government's assuming responsibility for social and economic development.

In late 1980s and early 1990s, however, the Economic Restructuring and Social Adjustment Program meant that the state started to disburden itself of many responsibilities, returning to the private sector its leading role in both economic and community development. Gradually, companies regained the power they had lost decades before and were subsequently expected by both government and civil society to contribute to economic growth and sociopolitical stability. Besides the influence of the country's economic development on corporate giving, the culture of giving has changed too. In the past businesses made most of their philanthropic donations to the religious organizations to which they belonged or supported poor families by providing them with money, food and clothes. Now many among them believe that their donations ought to bring about significant and sustainable changes that not only meet the needs of the disadvantaged but also contribute to the development of the country.⁶ This has been seen in the past five years in the increasing participation of private corporations, especially multinationals and large local companies, in the implementation of development projects focusing on issues such as enhancing the education system, health services, human resource development and women's empowerment.

This cultural change has shaped Egypt's understanding of corporate social responsibility as going beyond mere philanthropic activities and becoming more a framework for partnerships. Hence, although the concept of CSR was introduced to the business community only five years ago, the government now sees CSR as a public policy issue of increasing importance.

CSR Policy Rationale

CSR is slowly becoming a subject in Egypt because of the country's increasing openness to the global economic system and because of the enhanced role of its private sector. Up to now, SMEs, agricultural products and imports have predominated in the country's economic sector. In terms of CSR, therefore, the promotion of local business will play an important role in helping Egyptian corporates adapt to global markets.

A second important rationale is to use CSR as a means of building upon traditional values in order to mediate between philanthropic traditions and modern economic

5 In 2006 the independent daily *Al Masri Al Youm* counted 222 instances of labor unrest. The trend of these strikes has continued in 2007.

6 <http://www.neareast.org/phil/en/page.asp?pn=22>

structures. Such efforts necessarily draw on the country's traditional culture of giving. CSR public policy is thus beginning to mediate between cultural and societal traditions and help the country respond to the economic, political and social challenges that it faces as it opens to the outside world. The main task ahead for the Egyptian government will be to connect these two aspects by implementing CSR as an economic concept and simultaneously using the forces of the religiously inspired culture of giving in order to create a stable socioeconomic order.

■ CSR Situation

CSR Public Policy: Understanding, Strategy

CSR as an institutionalized concept is only at the very early stages of development in terms of public policy-making. The public sector still views CSR mainly as philanthropy and as a tool for the private sector's participation in the country's development. This is due to a combination of factors, including the country's powerful tradition of giving, the government's acknowledgement of its inability to fulfill the needs of disadvantaged and the marginal awareness of the concept of CSR. As such, there are no explicit goals that have been formulated

with regard to CSR by the government. Nevertheless, despite the current understanding of CSR, the government is trying to use it to address CSR-related issues. Although there is no explicit vision or public policy strategy for CSR, the government implicitly promotes through its economic reform agenda CSR-related topics such as quality standards and corporate governance. However, due to the narrow understanding of CSR, the different public sectors actors are unable to relate these issues directly to the concept of CSR. Some issue areas where CSR is seen as a part of corporate giving are health and safety, education and community development.

CSR Public Policy: State Actors

There is no single public body or person charged with the responsibility to engage with CSR. Instead there are several public bodies dealing with CSR-related issues, but they do not as yet coordinate their activities in this regard. Among those are the *Ministry of Education*, the *Ministry of Health*, the *Ministry of Communications and Information Technology*, the *Ministry of Social Solidarity* and the *National Council for Childhood and Motherhood (NCCM)*. These public bodies partner with private corporations in the implementation of projects by providing technical and financial support. These partnerships exist mainly in the areas of health, education and information and communications technology.

Selected CSR State Actors		
Name	Description	Main Responsibilities /Activities
Environmental Protection Fund (EPF)	Fund that lies within responsibility of the Egyptian Environmental Affairs Agency (EEAA), founded in 1994	Stimulates investment in the environmental sector in Egypt to support the government's environmental, social and economic policies. The EPF also seeks to foster partnerships between the financial community and the public and private sectors to increase investment in environmental initiatives. www.eeaa.gov.eg
Egyptian Institute of Directors (EIOD)	Institute focusing on corporate governance that operates under the umbrella of the Ministry of Investment, established in 2003	To spread awareness and to improve good corporate governance practices in Egypt, the Middle East and North Africa. www.eiod.org
National Council for Childhood and Motherhood (NCCM)	Established in 1989 as the official agency responsible for issues related to childhood, women and mothers.	Compiles information, statistics and studies pertaining to mothers and children and proposes training programs aimed at improving their living standards.

Moreover, in 1994 the government established the *Environmental Protection Fund (EPF)* within the *Egyptian Environmental Affairs Agency (EEAA)*.⁷ The *EPF*'s goal is to stimulate investment in the environmental sector in Egypt in order to support the government's environmental, social and economic policies. Also, the *EPF* seeks to foster partnerships between the financial community and the public and private sectors to increase investment in environmental initiatives. However, the Egyptian financial markets have yet to focus on SRI.

Additionally, in 2003 the *Egyptian Institute of Directors (EIOD)*, the first institute to focus on corporate governance in the Arab region, was established and now operates under the umbrella of the *Ministry of Investment*.⁸ It aims to spread awareness and to improve good corporate governance practices in Egypt, the Middle East and North Africa (MENA region).

CSR Public Policy: Nonstate actors

The broader picture of CSR in Egypt shows that within the private sector, there is a considerable difference in the level of CSR activities exhibited by different companies. Foreign multinational enterprises, though only comprising 2 percent of the country's businesses, are playing a remarkable role in shaping the understanding of CSR in Egypt. To a large extent, these corporations remain the leaders in practicing and promoting CSR, due to their international exposure and their lengthier experience in adapting existing CSR packages to the local context. Domestic multinational companies, making up 6 percent of the business sector, have gradually started to replicate these programs by implementing charitable initiatives and using the term CSR instead of philanthropy.

Although many CSR efforts are geared towards charitable activities, companies are also clearly focusing on development projects, mainly by developing human resources, creating new job opportunities, enhancing youth skills, promoting health facilities, empowering women and supporting the development of the educational system. Sometimes a company's CSR agenda reflects traditional notions of charitable giving combined with Western-style social responsibility. For instance, *Shell* and *British Petroleum (BP)* still make donations to government hospitals, while at the same time collaborating with civil

society organizations in order to implement sustainable development projects in areas where they operate as corporations.

The oil and gas, telecommunications, banking and construction sectors are the most active in adopting the CSR concept. These large companies have the necessary resources and the economic capacity to enable them not only to comply with CSR-related laws, but also to go beyond these laws voluntarily. For instance, almost all companies in these sectors provide their employees with better health and insurance packages than is required by law. Moreover, MNCs proactively attempt to communicate the CSR initiatives they implement through a range of media outlets. Such activities highlight the responsible role of the private sector and create a competitive environment among companies regarding CSR.

Small and micro enterprises represent more than 90 percent of private economic units, and are playing a remarkable role in Egypt's economic development. Despite its size and impact, this sector is totally ignored in any CSR-relevant discussion or event due to the limited financial resources of its member enterprises and since they are not always able to adhere to legislation pertaining to labor and environmental standards. SMEs make charitable donations, but the majority of them are unaware of the concept of CSR as such.

In the last two years, various chambers of commerce and business associations have been very active in organizing conferences and seminars to promote the concept of CSR. They usually invite representatives from multinationals, the public sector and civil society to share their experiences concerning CSR and discuss issues related to compliance with minimum standards. As a result of some of these meetings, a number of associations have been created, such as the *Egyptian CSR Alliance* and the *Egyptian Businessmen Foundation*, which aims to establish a pool of 100 million Egyptian pounds to be spent on implementing development projects in partnership with civil society organizations.

⁷ www.eeaa.gov.eg

⁸ www.eiod.org

Selected CSR Nonstate Actors		
Business Associations		
Name	Description	Main Responsibilities /Activities
Global Compact	Global network of companies, NGOs, public and academic institutions dedicated to CSR	The Global Compact was launched in Egypt in 2004. Before the end of this year, the Global Compact will launch the National Institute for Corporate Social Responsibility, which will organize a number of campaigns to enhance the understanding of CSR and conduct initiatives to raise environmental awareness. www.globalcompact.org
American-Egyptian Chamber of Commerce	Promotes the development of commerce and investment between the US and Egypt	Established a CSR committee that aims to create a forum where raising awareness and constructive dialogue on CSR can take place. The committee organizes meetings, conferences, exhibitions and an annual award on CSR. Also, it has established the CSR Information Resource Center. www.amcham.org.eg
Ashoka	Ashoka operates in 60 countries, among them Egypt. Ashoka fellows are leading social entrepreneurs who are recognized as having innovative solutions to social problems.	To support their members in adopting the CSR concept, Ashoka Egypt is currently conducting research to map active NGOs and foundations in Egypt. This will serve as database for Ashoka fellows. www.ashoka.org
The British Egyptian Business Association (BEBA)	Promotes the development of commerce and investment between the UK and Egypt.	BEBA conducts seminars to discuss issues related to the CSR concept and has established a community service committee to support companies in their participation in the implementation of sustainable development projects. www.beba.org.eg
Egyptian Junior Business Association (EJB)	Creates business development and networking opportunities for members in Egypt and abroad	Established a CSR committee that aims to create awareness. The committee organizes seminars to discuss CSR-related issues and offers one-to-one meetings to support EJB members and other corporations in fulfilling their CSR responsibilities. www.ejb.org.eg
The Egyptian CSR Alliance	Egyptian Business Alliance for CSR Development	In November 2006, Procter & Gamble Egypt launched an appeal to the Egyptian private sector to build a first-of-its-kind Egyptian Corporate Alliance for Development. The alliance is still in the formation stage and has not yet been legally established. In the future it expects to serve as a pool for sharing information, experiences and best CSR practices among Egyptian companies, and as a forum for coordinating their multiple CSR initiatives.

Religious organizations in Egypt, which mainly depend on *zakat* and *ushur*, have embarked on different initiatives to implement sustainable development projects instead of simply providing donations to the poor. However, they approach businesses from the perspective of asking community members “to give back to society” as part of their religious practice and not as part of their responsibility towards society. Among these are the *Mostafa Mahmoud Organization* and the *Coptic Evangelic Organization for Social Services (CEOSS)*.

In addition, NGOs have some – albeit limited – contribution to make in promoting CSR. Besides those NGOs that redirect charitable donations to the poor, some civil society organizations organize seminars and workshops or conduct research on the topic. The ability of trade

unions to influence the CSR agenda is very limited due to the state control under which they operate.⁹ Some development agencies currently active in Egypt are trying to use the concept of CSR as a tool to encourage the private sector to cooperate with NGOs and implement sustainable development projects. However, their role in fostering CSR development by enhancing the understanding of CSR and supporting companies to move from philanthropy to a strategic CSR approach is still to be mapped out.

Selected CSR Nonstate Actors

Major Civil Society Actors

Name	Description	Main Responsibilities /Activities
Near East Foundation (NEF)	Foundation for responsible development in Egypt and the Arab region	The foundation maps CSR activities in Egypt and supports companies in adopting the CSR concept through workshops and publications. www.neareast.org
NGO service center	NGO aiming at increasing the participation of citizens and NGOs in development	The center supports the private sector's CSR programs and works as a catalyst to facilitate collaboration between private companies and civil society organizations. www.ngocenter-eg.org
Nahdet Al Mahrousa Association	Seeks to have a positive impact on Egypt's development through engaging Egyptian youth.	Encourages the private sector to implement sustainable projects geared towards youth development by conducting seminars attended by private sector representatives and youth. www.nahdetmasr.org

⁹ Report for the general council review of the trade policies of Egypt, International Confederation of Free Trade Union (ICFTU), Geneva, 26 and 28 July 2005

CSR Public Policy: Instruments and Activities

a. Mandatory Framework

In parallel with the economic reforms in the 1990s, the Egyptian government embarked on a program of legal reforms. The regulatory changes covered various laws including company law, investment law, public sector law, capital market law, intellectual property law and banking law. New laws were introduced such as the Antitrust and Competition Law (2005), Environmental Law (1994) and Consumer Protection Law (2006). The adoption of these laws prepared the economy for higher rates of economic growth and development, while at the same time attempting to enforce more socially responsible behavior on part of the private sector.¹⁰

Based on the government's strategy of highlighting the importance of companies reporting on nonfinancial policies and impact, Egyptian company law, for example, requires the private sector to disclose all relevant nonfinancial information in its annual reports. In this way corporations have begun to report on CSR-related activities such as environmental, social and economic issues, although most companies will need time to follow suit.

The Egyptian government also attempts to incorporate a number of international instruments in the design of national legislation. Most of the United Nations and International Labor Organization conventions are used as guidelines for labor law and cultural rights, as well as anticorruption and discrimination efforts, and are enforced by a presidential or ministerial decree.

b. Soft Law

The OECD Principles of Corporate Governance have been used by the public sector to design national corporate governance legislation and as a tool for monitoring compliance. In 2004 the Egyptian Corporate Governance Assessment was conducted as part of the joint World Bank-IMF program of Reports on the Observance of Standards and Codes (ROSC). It benchmarks the country's observance of corporate governance standards against the OECD principles and showed that 24 principles are largely observed while the other 6 principles are not.

Other CSR tools related to corporate governance were developed by the *Egyptian Institute of Directors (EIoD)*,

namely the first corporate governance codes for both Egyptian listed companies (2005) and state-owned enterprises (2006). A presidential decree in 2004 stated that *EIoD* is responsible for education efforts and for promoting the principles of the codices. The institute is considered the first step through which the government is beginning to promote the implementation of voluntary CSR standards. Nevertheless, *EIoD* must do more to promote the use of codes of conduct, since the guidelines are still not well known among private corporations.

The *Egyptian Organization for Standardization and Quality (EOS)* plays an effective role in coping with international approaches in the activities of standards and quality. In order to guarantee product-related consumer protection, two ministerial decrees have been issued stipulating that where there is no Egyptian standard for a product, an international or foreign standard such as the relevant ISO standard is to be applied.¹¹

c. Initiatives and Partnerships

During the last few of years, a number of government bodies such as the *Ministry of Education*, the *Ministry of Health*, the *Ministry of Communications and Information Technology*, the *Ministry of Social Solidarity* and *NCCM* began to endorse public-private partnerships related to local community development. Their aim is to provide corporations with the necessary information and data to identify the needs of marginalized communities and enter into cooperative partnerships to solve some of the most pressing problems facing these communities.¹²

NCCM and the *Ministry of Education*, for instance, collaborated with the *Apache Corporation*, one of the largest independent oil and gas exploration companies, to address the issue of education in deprived areas that only have limited numbers of girls. Free plots of land were provided to build 200 schools.

Also, the *EPF* seeks to foster partnerships between the financial community and the public and private business sectors in order to increase investment in environmental initiatives. Until now, however, the government has not evaluated or measured the impact of such initiatives.

d. Incentives

In order to redirect the private sector's charitable donations towards implementation of development projects that contribute directly to the public sector's economic

10 The regulatory environment and the Egyptian private sector. Cairo: Egyptian Center for Economic Studies, September 2005

11 www.eos.org.eg

12 Philanthropy in Egypt: A comprehensive Study on Local Philanthropy in Egypt and Potentials of Directing Giving and Volunteering Towards Development. New York: Center for Development Services, 2007.

and social development agenda, the 1994 taxation law declared that companies can deduct donations and assistance to the government, local authorities and public bodies without limit. Donations to legally registered charities, social welfare organizations, educational institutions and hospitals under government supervision are deductible up to 7 percent of net profits per year. Nevertheless, due to the bureaucracy and paperwork required to acquire this right, most companies have not as yet applied to obtain this privilege. Though most donations by local companies are driven by religious beliefs and a sense of duty to help the poor, the government ought to simplify the processes corporations must undertake to deduct their contributions, as this might encourage corporations to further increase their donations.

Besides the income tax incentives for companies, the *EPF* provides financial assistance for both projects that return a profit, as well as those that are nonprofit.

Since 2006, the *Ministry of Trade and Industry* in association with the *Industry Modernisation Program (IMP)* offers an annual national award for quality production.¹³ The true value of the award lies in the fact that it assesses the performance of firms according to international standards. Furthermore, *EIoD* conducts an annual competition for the best company report and website regarding CSR-related business activities.

e. Awareness

To raise awareness about the concept of CSR, the government has publicly promoted the *Global Compact Network Egypt* since its launch in 2004. Recently the *Ministry of Investment* supported the Global Compact initiative in issuing a publication aimed at improving the understanding of the relationship between business and poverty reduction among the wider business community, government, civil society organizations and academics. The publication will be launched in 2007.

The *Egyptian Organization for Standardization and Quality (EOS)* and the *International Organization for Standardization (ISO)* agreed to establish a standing committee, affiliated with the ISO's vice-president for technical affairs, for translating ISO standards such as the ISO 1400 series and ISO 9000/2000 series into Arabic. Additionally, *EOS* offers capacity building and advisory services. The organization provides training programs to enhance corporations' technical and admin-

istrative operations as well as a program designed especially to train and support companies in obtaining and adhering to international standards such as the quality management system ISO 9001. However, based on statistics available in the *EOS* annual report, more efforts need to be made to reach out to and serve a larger number of corporations.¹⁴

Similar to *EOS*, *EIoD* offers training to enhance the knowledge of companies in corporate governance issues. *EIoD* also embarked on an awareness campaign and organized numerous conferences, seminars and awareness sessions targeting different groups such as private companies, state-owned enterprises, journalists and academics.

■ CSR Public Policy Maturity

Due to the findings detailed above, Egypt's CSR public policy is assessed as being in the first generation of maturity. While there is no one visible contact point for CSR within the Egyptian government, there are several public sector bodies dealing with CSR-related issues, although they are not coordinated. In addition, no visible CSR strategy has been developed. Only the Economic Reform and Structural Adjustment Program (ERSAP) has a rather implicit formulation of CSR-related rationales, based on a variety of understandings and priorities. Stakeholders are neither integrated nor consulted in any regular or formalized manner; nevertheless, some stakeholders are involved in a number of CSR-related public policy activities. In the last few years the government has undertaken a number of different activities in the field of corporate governance, community development and consumer protection. Here, instruments mainly of the first generation are in place in the field of mandatory frameworks, partnerships, incentives and awareness raising. Moreover, a number of laws and guidelines, especially those regarding corporate governance, do have a critical influence on CSR-related public policy in Egypt. However, there are no structures or systems in place to measure and evaluate the public sector's performance in the area of CSR policy. Public policy implementation also remains a serious problem in Egypt due to a lack of transparency and high bureaucratic barriers. For the future, a mainstreaming of CSR public policy instruments of the first and second generation in various policy areas is recommended.

¹³ Quality production rewarded. *Al Ahram Weekly*, Issue No. 827, January 2007

¹⁴ www.eos.org.eg

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France*

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Public Policy Rationales

- Achieve equitable and sustainable growth
- Enhance international reputation and competitiveness

Public Policy Activities

- Mandating: Various laws that influence CSR, including public procurement and pension reserve funds
- Incentivizing: Promoting guidelines, financial support for fair trade, new product lines, awards
- Awareness raising: eco-labels

Public Policy Actors

- Ministry of Foreign Affairs
- Ministry of Ecology and Sustainable Development

CSR-Relevant Context Factors

-  Increasingly privatized economy
-  Strong central state role with social welfare system under pressure
-  Conflictual societal relations
-  High tolerance of power inequalities



■ Executive Summary

Profiling CSR

France is a stable, Western European democracy, based on a semi-presidential political system, whereby executive power is shared between the president of the republic and the government led by the prime minister. Decision-making in France used to be highly centralized with limited power granted to regions and departments, but has been gradually decentralized since the 1980s. The world's sixth largest economy is in the process of transforming itself from an economy dominated by substantial public ownership and state intervention to one that relies more on market mechanisms, with large companies having been partially or fully privatized over the last few years.

With regard to its social welfare system, France belongs to the group of conservative-corporatist regimes, where special categories of public-sector workers receive disproportionate benefits, and rights are attached to status and class. There is much social legislation, especially

in the areas of employment law and social protection. However, the French social welfare state is under pressure and increasingly contracts out services to private agencies, especially at the local level. Despite this, public authorities retain a powerful position as the legal status of private service providers is weak. The relationship between different sectors of society in France has been one of conflict and mistrust. Lines of tension have traditionally run between industrial leaders and trade unions, as well as between government and civil society organizations.

In France, CSR was initiated by pioneer businesses and proactive enterprises, whereas the French government's interest in CSR emerged later. There are no clear responsibilities for CSR promotion within the public sector, several ministries shape the agenda. The French government sets a clear focus on legislative measures to enhance CSR, such as the New Economic Regulations Law (NRE). This can be understood in the context of the French state's traditional powerful role, which also reflects the French people's expectation that the state, rather than business, shoulder its responsibilities.

* Author of this country profile is Susanne Schaller, Institute for Development and Peace, University of Duisburg-Essen.

In terms of promoting CSR, the French government relies mostly on its mandating role. There are also requirements for public procurement and retirement reserve funds. Despite this emphasis, the public sector also enacts its awareness-raising roles by promoting awards such as the Enterprise and Environment Award designed to motivate companies to comply with standards. The French public sector is less active than other European governments with respect to partnering activities.

From statements issued as part of ODA policy and the National Strategy of Sustainable Development, it can be assumed that one key rationale is to achieve a balance between economic growth and social and environmental concerns. Given France's integration into the global economy through investment and consumption, the other main rationale is to access new markets created around sustainable development and fair trade and thus to enhance the competitiveness of the French economy.

Navigating CSR

Although there is a fully developed and applied CSR policy with regard to activities, communication and awareness, even evaluation, there is no clear and visible competency within government for CSR. There are, however, some important developments and key applica-

tions of CSR policy with regard to shortcomings in the areas of strategy development, coordination and the integration of stakeholders. Altogether, the French public sector is not among Europe's leaders in this area, but rather in a middle stage. In sum, CSR public policy maturity in France can be seen as moving from the second to the third generation.

In its role as a coordinator and partner to different non-state CSR actors, the public sector needs to be strengthened in order to efficiently allocate resources. Apart from a revision of the NRE law to adapt it to the specifics of different industries and business sectors, the requirements regarding reporting would have to be clarified. If the law's "soft" character - it does not provide for sanctions - is to be kept, it would be all the more necessary to gain company "buy-in" so as to ensure and increase compliance. It would seem that more government efforts are also necessary to facilitate an understanding of the public CSR agenda by the business sector and engage in partnerships. Up to now, the concentration on mandatory measures has not brought sufficient results. Finally, public and consumer interest in CSR needs to be strengthened if corporations are to integrate social and environmental concerns into their business operations voluntarily.

CSR Public Policy Maturity Level

Second to third generation:

- Fully developed and applied CSR policy with regard to activities, communication and awareness, as well as evaluation
- Some development and application of CSR policy with regard to strategy development, coordination point and integration of stakeholders
- No clear competency within government for CSR issues

CSR Recommendations

- Public sector should become more flexible and explore/combine roles other than mandating
- Competency for CSR at government level needs to be defined
- Instruments in place need consequent and transparent application as well as shared understanding
- Buy-in of stakeholders needs to be improved by more cooperative approaches



■ CSR-Relevant Context

Political, Social and Economic System

France is governed within a semi-presidential system based on the constitution of the Fifth Republic of 1958. Executive power is shared between the president and government led by the prime minister. Legislative power is held by the country's parliament, which comprises the national assembly and the senate. The judiciary is an independent authority operating on the basis of a civil law system. Due to its multiparty system, French governments alternate between coalitions of the left and right. Decision-making in France used to be highly centralized with limited power granted to regions and departments, but has been gradually decentralized since the 1980s. Still, France is a country with an elitist approach to power, as well as class barriers and hierarchical structures that are often rigid.

Culture, language and an early national history have been the common denominators for French society, which still likes to refer to itself as "the great nation." This self-perception is being challenged by the impacts of economic globalization, as well as by the country's colonial past. A relatively high number of young people with an immigration background are not integrated into French society. Youth unemployment and social unrest are among the key problems facing the domestic political system.

With regard to its social welfare system, France belongs to the group of conservative-corporatist regimes that accord disproportionate benefits to special categories of public sector workers and where rights are attached to status and class (Esping-Andersen 1990: 27). Due to a high degree of state autonomy, the system has also been described as "welfare etatism" (Seibel 1990: 50), with important social legislation in place, especially in the areas of employment law and social protection. This strong centralist state is reflected in one of Europe's highest tax burdens: 43.4 percent of GDP in 2004 (OECD 2006). As in other countries, the French social welfare system is under pressure and increasingly contracts out services to private agencies, especially at the local level. Despite this, public authorities retain a powerful position as the legal status of private service providers is weak (Bahle 2003: 13).

The world's sixth largest economy (IMF 2007) is currently attempting to transform itself from an economy dominated by substantial public ownership and state intervention to one that relies more on market mechanisms. In recent years, large companies have been partially or fully privatized, with the government reducing its stakes in such leading firms as Air France, France Telecom, Renault and Thales. However, the public sector maintains a strong presence, particularly in the energy, public transport and defense industries. In 2003, of all OECD countries, France was the second most important foreign direct investor, at \$57.0 billion (OECD 2006). With around 75 million foreign visitors per year, its tourism-related income is the third largest in the world. As illustrated by its Gini coefficient of 32.7, France ranks somewhere in the middle in terms of income inequality, but scores worse than 30 countries from Europe, Eastern Europe and Asia (UNDP 2006).

Among the country's most salient economic problems are the continuously high unemployment rate of around 10 percent and the violation in 2006 of the euro zone's limit on budget deficits of 3 percent of GDP (CIA 2007). France's leaders remain committed to a form of capitalism in which they maintain social equity by means of laws, tax policies and social spending designed to reduce income disparity and the impact of free markets on public health and welfare. In 2006 the government introduced measures to boost employment through increased labor market flexibility; the public, however, remains opposed to labor market reforms.

Relationship Between Economy, Society and Government

The relationship between different sectors of the society in France has traditionally been one of conflict and mistrust (Beaujolin/Capron 2005: 97ff). Over the last three centuries, the country has been characterized by large social movements and revolutions that have given French industrial relations a conflictual nature. Coming out of strong worker movements, the country's trade unions were inspired by the idea of class struggle, whereas employers were guided by a distrust of unions. This lack of trust largely prevails, especially among industrial leaders. Dialogue therefore remains difficult and collective bargaining is rather weak. At the same time, the French government takes an influential, even protective stance towards domestic companies.

Tensions between the government and civil society also have historical roots. After the revolution of 1789, intermediary organizations that purportedly stood between individual citizens and the republican state suffered attack. (Seibel 1990: 48). Today, initiatives from civil society are sometimes even suspected of being campaigns designed to conceal vested interests (Segal et al. 2003: 80).

Since 1981, closer links between public and private actors have been established, especially at the local level (Bahle 2003: 12). Given the difficulties of the French state in funding social programs, business has recently regained some social importance, strengthened by the tradition of paternalism on the part of large French corporations that prevailed in the second half of the 19th century and continued until the 1930s. Since then French law posits that private enterprise has a “social interest” (Beaujolin/Capron 2005: 98). Nevertheless, the French still expect more from public authorities than from private firms and are less likely to place their trust in voluntary initiatives than are Anglo-Americans. This is illustrated by a study of consumer preferences (Maignan 2001: 69), which shows that companies’ legal responsibilities are regarded as more important than social and ethical responsibilities. Indeed, the tradition of consumer boycotts and mobilization against private companies is very weak in France. Despite these conflictual relations between different sections of society, national identity plays a crucial role as a common cultural denominator.

Development of CSR Public Policy

The traditionally powerful role of the state is clearly visible in the public sector’s CSR promotion. The French government has a strong focus on legislative measures, most prominently in the context of the NRE law, passed in 2001. The law sets a mandatory framework regarding reporting on social and environmental issues and defines companies’ responsibilities in the area of financial reporting. This conforms to the expectation on the part of the French people that the state, rather than business, should exercise responsibility. The low trust in business or civil society might be one additional factor underlying the strong expectations towards the state. As Segal et al. (2003: 81) comment, “The idea that some laws might merely define minimal thresholds, above which the social responsibility of the actors comes into play, would certainly come as a great shock to many people in France.” The focus in general is therefore on binding laws rather than on voluntary commitments.

Given the number of CSR business initiatives, corporations in some areas seem to be more active than the government, which may be attributed to France’s history of business paternalism before the 1930s, when large companies introduced social welfare plans and social institutions for workers. In comparison, NGOs seem to be less active, which may well be related to civil society’s controversial standing. Industrial relations in France are still influenced by confrontation and mistrust, which

Facts and Figures		Source
GDP annual growth rate	1.2% (2005)	WB
Import of goods and services	26% of GDP (2004)	UNDP
Export of goods and services	26% of GDP (2004)	UNDP
Corruption Perception Index	7.4 (2006)	TI
Gini Index	32.7 (1995)	UNDP
Gender Equity Index	64 (2007)	Social Watch
Total tax revenues	43.4% of GDP (2004)	OECD
Unemployment rate, average annual	10.4% of labor force (1995-2005)	UNDP
FDI outflows	57.0 billion US\$ (2006)	OECD

could be one explanation for the fact that, within CSR promotion, the French public sector relies less on cooperative approaches. Segal et al. (2003: 81) even suppose that such coalitions might be regarded as more hazardous than attractive. The tensions between the government and the third sector could well be one reason why civil society actors, in contrast to business actors, are rarely included in public sector activities to promote CSR. Despite this situation, some government coalitions and other actors have been created in the context of sustainable development, which can be considered a sign that the responsibilities pertaining to various actors, including non-state actors, are increasingly being discussed.

CSR Policy Rationale

France is a highly industrialized, democratic country, but global developments are challenging the country's economy and society. The state's response has been CSR actions clearly aimed at strengthening France's position as a competitive economy by taking part in the international CSR debate, promoting fair trade and creating new market access. At the same time, the explicit legislative approach taken by the state stresses a balance between economic growth and social and environmental concerns. (ICSD 2003; MFA 2005a).

■ CSR Situation

CSR Public Policy: Understanding, Strategy

The topic of CSR as such appeared in France only towards the end of the 1990s, as a result of the efforts of a few pioneering firms. The French public authorities began to take an interest in CSR from 2001 onwards,

which is rather late compared to other industrial countries. Although there is no explicit CSR strategy, statements contained within the Overseas Development Assistance (ODA) policy (MFA 2005)¹ and the National Strategy for Sustainable Development (ICDS 2003)² imply that one of the French government's key goals in promoting CSR is to achieve a balance. It also seems that the government's interest in CSR has been a response to international challenges (Beaujolin/Capron 2005: 102). Two of these challenges are sustainable development and business responsibility in the area of development cooperation.

The government has thus far not formulated a clear policy on CSR. There have only been very general statements from the *Ministry of Foreign Affairs (MFA)* and the *Ministry of Ecology and Sustainable Development (MESD)*.³ According to the MFA (2004) and the MESD (2006), the French understanding of CSR follows the definition of the European Commission's green paper on promoting a European framework for corporate social responsibility, which emphasizes the voluntary aspects of CSR. Despite this, the French understanding of CSR also underscores the importance of international regulations and, among other guidelines, refers in particular to the ILO's Declaration on Fundamental Principles and Rights at Work and the OECD's Convention on Combating Bribery. The French public sector presents itself as being particularly active in the area of legislation encouraging CSR (MFA 2004).

The first steps towards CSR policies were made in the context of sustainable development. On the occasion of the Johannesburg World Summit in 2002, the prime minister staged a workshop on CSR for public representatives, unions, NGOs, businesses and academics. The prime minister's involvement in the *National Council of Sustainable Development and an Interministerial Committee for Sustainable Development (ICSD)* is supposed to ensure that sustainable development becomes a cross-sector issue.⁴ In 2003, the National Strategy for

1 MFA (Ministry of Foreign Affairs) (2005): Development of the Productive Sector. Sectoral Strategy within the French co-operation and official development assistance (ODA) policy. Available: http://www.diplomatie.gouv.fr/en/france-priorities_1/development_2108/french-policy_2589/governmental-strategies_2670/sectorial-strategies-cicid_2590/development-of-the-productive-sector-may-2005_3078.html?var_recherche=CSR

2 ICSD (Interministerial Committee for Sustainable Development) (2003): National Strategy for Sustainable Development. Available: <http://www.ecologie.gouv.fr/IMG/pdf/SNDDenglish.pdf> ICSD (Interministerial Committee for Sustainable Development) (2003): National Strategy for Sustainable Development. Available: <http://www.ecologie.gouv.fr/IMG/pdf/SNDDenglish.pdf>

3 MESD (Ministry of Ecology and Sustainable Development) (2007a): Forum des Entreprises et du Développement Durable. Présentation. Available: <http://www.ecologie.gouv.fr/-Forum-des-Entreprises-et-du-.html>

4 Portail du Gouvernement (2005): Le Conseil national du développement durable (CNDD). Available: http://www.premierministre.gouv.fr/acteurs/premier_ministre/les_services_premier_ministre_195/conseil_national_developpement_durable_50413.html?var_recherche=cndd

Sustainable Development was passed, which promotes companies' social and environmental responsibility along with three objectives: to create a reference system at the national level, to incite companies to adopt a responsible operating mode in environmental and social terms, and to increase socially responsible investment (SRI) (ICSD 2003).

The strategy also refers to innovation as a national priority for guaranteeing competitiveness as new markets are created around sustainable development (ICSD 2003). The close connection between sustainable development and CSR is explicitly underlined by the MESD (2006), which uses the term CSR almost synonymously with the contribution of enterprises to sustainable development. Here it should be noted that the French approach to sustainable development, as laid down in the national strategy, shows a strong emphasis on environmental issues. The two other pillars of sustainability, namely social and economic development, are less prevalent, which might be construed as a weakness of the plan.

In 2006, the implementation of the National Strategy of Sustainable Development was evaluated. However, there is only a short paragraph relating to CSR, merely mentioning the existence of the NRE law and the French

engagement in the negotiation of ISO 26000 (MESD 2006a: 6). Against the strategy's broad objectives, the evaluation appears meager.

The implementation of Agenda 21 is also relevant for CSR as it is connected with the implementation of the National Strategy for Sustainable Development. According to the strategy, France aims to set up 500 local *Agenda 21 offices* by 2011 (ICSD 2003). However, in 2005, there were 14 regional, 24 departmental and only 55 local *Agenda 21 offices* in place (Comité 21 2005).

Business responsibility has become also a relevant topic within development cooperation. In particular, a sectoral strategy within development policy aimed at small and medium enterprises (SME) and the development of the productive sector have been designed to include tools to guide enterprises towards responsible behavior. The MFA (2005) also aims to encourage balanced growth that also pays attention to social and environmental standards in developing countries.

CSR-Relevant Strategies and Policy Papers		
Name	Date	Short Description and Reference
Sectoral Strategies – Development of the productive Sector	May 2005	Sectoral strategy within development cooperation. Contains measures on the guidance of enterprises towards sustainable development, e.g. support of the Clean Development Mechanism (MFA 2005).
National Strategy for Sustainable Development	June 2003	Companies are encouraged to focus on sustainable development, integrate sustainable development into product manufacturing and promote innovation (ICSD 2003).

CSR Public Policy: State Actors

Responsibilities for CSR and CSR-relevant policy areas are shared between the MFA and the MESD. With regard to CSR promotion by the public sector, responsibilities mainly lie at the national level. As part of sustainable development agenda, however, CSR issues are also taken up by regional and local bodies concerned with the implementation of the agenda.

There are also some public or semipublic bodies working on CSR (Beaujolin/Capron 2005: 103). One example is AFNOR, the French standards association, which has published a guide on sustainable development. As has been explained, however, public actors do not cooperate with other actors on a large scale. Moreover, in contrast to business actors, civil society actors are rarely included in public CSR promotion.

which represents over 750,000 enterprises. *MEDEF* hosts the *OECD National Contact Point (NCP)*, promotes one global reference on CSR for all companies in the world and pushes the International Organization for Standardization (ISO) to release such a standard. Other relevant business actors include the business network *IMS – Entreprendre pour la Cité*, the social rating agency *VIGEO*, and the *Initiative Clause Sociale (ICS)*. Currently, according to UNEP's sustainability ranking, three French companies, *Lafarge*, *Suez* and *Veolia Environment*, belong to the 50 global leaders of sustainability reporting (UNEP 2006).

Although traditionally influential, French trade unions had initially been slow to adopt a position on CSR (Eurosif 2003). In 2002, however, major unions set up a

Selected CSR State Actors

Name	Description	Main Responsibilities /Activities
Ministry of Foreign Affairs (MFA)	Public authority for international relations	Focuses on CSR as a measure for sustainable development. Responsible for various fair trade incentives and policy papers with regard to development assistance strategies. http://www.diplomatie.gouv.fr/en/
Ministry of Ecology and Sustainable Development (MESD)	Public authority for environmental issues	Environmental focus on CSR. Responsible for the Enterprise and Environment Award, runs campaigns on eco-labels, participant in Committee 21, initiated the Forum of Enterprises and Sustainable Development. http://www.ecologie.gouv.fr
French Standards Association (AFNOR)	State-approved organization supervised by the Ministry of Industry	Engages in standardization, information, certification and training. Hosts a stakeholder forum to discuss a reference system to identify fair trade practices. www.afnor.org
Interministerial Committee for Sustainable Development	Established in 2003 and headed by the prime minister	Definition and support of the policy on sustainable development. Monitors its implementation and the coherence of the activities of the ministries. http://www.ecologie.gouv.fr/Le-CIDD-.html

CSR Public Policy: Nonstate Actors

The business community is most active in matters of CSR promotion. Most large French firms take part in CSR Europe and put pressure on SMEs to adopt socially responsible behavior. An important actor on behalf of business is the *Movement of French Enterprises (MEDEF)*,

committee that runs labeling campaigns. For instance, it awards a label to investment managers for the management of employee savings plans according to social and environmental criteria.

Regarding civil society, NGOs like *Collectif de l'éthique sur l'étiquette* seem to have sensitized the public to CSR

issues. The *Citizen Forum for CSR* and the *Forum for Responsible Investment* are both nongovernmental partnerships comprising different societal actors, research institutions and businesses that raise awareness for CSR. Some NGOs work with large firms to promote the use of codes of conduct, social certification or labels (Beaujolin/Capron 2005: 105). On the whole, however, NGOs in France seem to be too weak to adopt the role of watchdog for corporations, and consumers seem to be harder to mobilize than in other European countries (Bertelsmann Stiftung 2006: 17).

Among the most active research institutes are the *Association for the Development of Education and Research on Corporate Social Responsibility (ADERSE)*, which encourages teaching and research on CSR, and the *Observatoire sur la Responsabilité Sociétale des Entreprises (ORSE)*, which provides information on CSR tools such as ratings, codes of conduct and standardization. *Novethic*, which was launched by the public financial institute *Caisse des Dépôts*, is a large online resource centre on CSR and SRI.

Selected CSR Nonstate Actors		
Major Business Actors		
Name	Description	Main Responsibilities /Activities
Entreprendre pour la Cité	Business-driven network of some 130 members, set up in 1986	Partner of CSR Europe. Develops company/stakeholder dialogue and helps companies implement social practices for the communities in which they operate and contribute to better social equity as part of CSR policies. www.imsentreprenre.com
Initiative Clause Sociale	Initiative in the distribution sector, set up in 1998	Encourages suppliers to respect human rights and social regulation on production sites. www.ics-asso.org
MEDEF	French employers' association, created in 1998	Encourages sustainable development, social and environmental performance of business. www.medef.fr
Orée	Set up in 1992, cooperation of corporations and communes	Serves as an exchange forum on social and ecological business practices, organizes working groups and seminars and offers information/tools on environmental management. www.oree.org
VIGEO	Rating Agency created in 2003	Provides company assessment on their performance with regard to environmental, social and corporate governance objectives. Encourages SRI, e.g. with SRI indices. www.vigeo.com
Trade Unions		
Comité intersyndical de l'épargne salariale	Created in 2002 by four unions (CGT, CFDT, CFTC, CGC)	Awards a label to investment managers who run employee savings plans according to socially responsible criteria. http://comite.cies.free.fr/

Civil Society		
Forum citoyen pour la responsabilité sociale des entreprises	Created in 2004, comprises unions, NGOs and expert networks	Serves as a network to jointly promote CSR at the European and international level. www.forumcitoyenpouurlarse.org
Forum pour l'investissement responsable	Non-profit organization, unites unions, business, media, NGOs, researchers	Contributes to SRI public policy making, supports research and promotes SRI practices. http://www.frenchsif.org/en/
Collectif de l'éthique sur l'étiquette	Member of the Clean Clothes Campaign, set up in 1995	Works on human rights and working conditions in French companies and their supply chains. Runs advocacy campaigns and provides a code of conduct. www.ethique-sur-etiquette.org
Research Institutes/ Media		
ADERSE	Set up in 2002 to promote teaching and research on CSR	Specializes in CSR management and offers resources for teachers/researchers. www.aderse.org
Novethic	Online resource center for CSR and SRI, set up in 2001	Promotes exchange between actors and offers guidance on sustainable development policy. Organizes a bimonthly stakeholder forum and provides studies on SRI and socially responsible funds. www.novethic.fr
ORSE	Set up in 2000, includes business, trade unions and NGOs	Works as a think tank on CSR and SRI. Provides information on tools like ratings, codes and standardization. www.orse.org

CSR Public Policy: Instruments and Activities

a. Mandatory Framework

In France, several laws act as a legal framework to promote CSR development. An annual reporting requirement that applies to all companies and organizations with more than 300 employees has been in place since 1977. These “social statements” include information on 134 indicators concerning circumstances impacting workers and the relationship between employees and employers.⁵ The law has been criticized, since the statements are not published outside of the works council. Despite this, it has been used as a model to set up simi-

lar measures in Belgium and Portugal. Some other important laws were passed in 2001: The Law on the Public Pension Reserve Fund, the Law on Public Procurement and the Law on the Generalization of Employee Saving Plans (cf. table).

An important law to enhance transparency was launched in the context of the NRE. According to article 116, publicly listed French companies have to include social and environmental information in their annual reports. The NRE reporting requirement is the first legal requirement to demand “triple bottom line”⁶ reporting and has sensitized enterprises for social and environmental issues (ORSE et al. 2004: 59). Yet the law has its

5 MFA (Ministry of Foreign Affairs) (2004): Responsabilité sociale des entreprises. Available: http://www.diplomatie.gouv.fr/fr/actions-france_830/droits-homme_1048/droits-economiques-sociaux-culturels_4720/responsabilite-sociale-entreprises_17059.html

6 The term “triple bottom line” refers to the relevance of environmental and social performance of a business or organization on top of financial performance.

flaws. When the requirements were exercised in 2002, reports varied considerably in content, length and depth (Egan et al. 2003: 13). In 2003, the French government asked several research institutes to evaluate the law's application. When the final report was published in 2004, it was revealed that the majority of enterprises did not comply, and the quality of the reports varied and generally covered few issues and indicators. (ORSE et al. 2004: 58). It was criticized that there were no clear specifications on the lengths of the reports, that indicators were not industry-specific and that there was no provision for sanctions. Due to the lack of sanction mechanisms, the NRE law can be described as what Moon (2004: 14) calls "soft legislation," which does not demand any behavior other than reporting. In light of this, the French government has commissioned an evaluation of the law, even though it remains unclear what kind of impact the results of this evaluation will have in practice.

Despite these shortcomings, observers of the SRI market attribute some of its development to French law. It is held that the NRE law entices companies to think more seriously about CSR and that, following in the footsteps of the Law on Retirement Reserve Funds, a growing number of institutional investors has started to engage in SRI (Eurosif 2006: 20). In fact, the French SRI market shows high growth rates (Avanzi SRI Research 2006: 6). Still, the influence of the public sector has to be put into perspective, as SRI market increases after 2003 can be attributed in greater measure to the increasing number of institutional investors (Eurosif 2006: 21).

The Environment Charter adopted in 2005 specifies citizens' rights and obligations concerning the protection of the environment. It ascribes environmental protection the same status as that given the Declarations of Human Rights of 1789 and the social and economic rights in the preamble of the French Constitution of

CSR-Relevant Legislation		
Name	Date	Description and Reference
Environment Charter	Feb. 2005	Constitutional amendment, including citizens' rights and obligations concerning environmental protection. Each citizen has the "right to live in a balanced environment, which is favorable to health" (MESD 2005).
New Economic Regulations Law	May 2001	Companies are encouraged to focus on sustainable development, integrate sustainable development into product manufacturing and promote innovation (ICSD 2003).
Law on the Public Pension Reserve Fund	July 2001, amended 2003	Requires the disclosure of social and ethical criteria used for investment of retirement reserve funds. The management of the fund has to report accordingly to the supervisory board (MFA 2004; EC 2004).
Law on Public Procurement	March 2001	Authorizes the voluntary inclusion of social and environmental considerations in the clauses of public procurement contracts (EC 2004).
Law on the Generalization of Employee Saving Plans	Feb. 2001	Requires that employees' savings funds define the social, environmental or ethical considerations which should be taken into account by the fund management when buying or selling stocks (MFA 2004).
Law on the Social Statement	1977	Requires an annual standardized and compulsory statement about workers' situation, e.g. wages, working conditions (MFA 2004).

1946. Thus, remarkably, it connects an individualistic human rights approach with environmental protection. Article 6 of the charter also states that public policy should promote sustainable development.⁷ Even though the charter does not explicitly refer to corporations, it might ultimately be used as a legal means by individuals who feel their rights are being violated by business organizations.

b. Soft Law

The *MESD* explicitly endorses environmental management standards. For instance, the French government is engaged in the negotiation of the ISO 26000 standard on CSR.⁸ It also promotes the OECD Guidelines for Multinational Enterprises. Firms asking for export credits or investment guarantees are informed about the guidelines and have to sign a letter to acknowledge that they have received the information (EC 2004: 21). This enhances knowledge about the guidelines, although it does not ensure that companies will apply them. The NCP for the guidelines is located at the *Ministry of Economy, Finance and Employment (MINEFI)* and has a tripartite structure, including five major trade union organizations, the French employers' association *MEDEF* and four ministries.⁹

The *NCP* has been criticized in that NGOs are excluded from discussions within complaints procedures and that, in the words of OECD Watch, "basic rules of fairness were neglected" (Feeney 2005: 10). The *NCP* is also criticized for a lack of transparency as it only provides vague statements about its work on its website. Conversely, contrary to other NCPs, it publishes annual reports.

c. Initiatives and Partnerships

The French public sector relies less on cooperative initiatives than other countries do. Nevertheless, some partnerships for CSR have emerged, mostly dealing with CSR on a global level. In 2004 the government initiated the *Forum des Amis du Pacte Mondial*, a network of over 400 French corporate members of the Global Compact. It aims to promote best practices, to further dialogue between members and to realize case studies through working groups. In comparison to other European countries, the number of French corporate members in the *Global Compact* is very high – perhaps a sign of its status in French society.

In 2003, the former *Ministry of Employment, Work and Social Cohesion* created an interdepartmental working group to agree on propositions for CSR enhancement. This group consulted representatives of NGOs, rating agencies and corporations. The final report contains proposals such as the creation of a multilateral forum to agree on a CSR charter, the stimulation of CSR within SMEs and methods for improving the work of the NCP (Besse 2004). So far, however, it is unclear whether and how these proposals have been realized in practice.

In the context of sustainable development, *Committee 21* is a public-private partnership (PPP), uniting representatives of regions, municipalities, business, media and research institutes, with the *MESD* as one of its members. *Committee 21* aims to engage all sectors in the promotion of Agenda 21 and runs a program on "responsible economy" to encourage corporations to foster sustainable development at the local, national and international level. In 2003, the *National Council for Sustainable Development* was founded, which comprises members from regional authorities, municipalities, NGOs, unions, business and consumer organizations. In addition, the *MESD* initiated the *Forum of Enterprises and Sustainable Development* in 2005, a public-private dialogue with corporations.

7 *MESD* (Ministry of Ecology and Sustainable Development) (2005): *Charte de l'Environnement*. Available: http://www.ecologie.gouv.fr/IMG/pdf/charte_environnement-2.pdf

8 *MESD* (Ministry of Ecology and Sustainable Development) (2006a): *Mise en œuvre et processus d'actualisation de la Stratégie nationale de développement durable 2003-2008*. Available: http://www.ecologie.gouv.fr/rubrique.php?id_rubrique=1300

9 *MINEFI* (Ministry of Economy, Finance and Employment) (2005): *Rapport Annuel du PCN Français 2005*. Available: http://www.minefi.gouv.fr/directions_services/dgtpe/pcn/pcn.php

Instruments and activities of CSR promotion		
Name	Date	Description and Reference
Forum of Enterprises and Sustainable Development	2005	Initiates dialogue between corporations and public representatives to encourage corporate mobilization on sustainable development. Launched at the initiative of the MESD. www.ecologie.gouv.fr/Forum-des-Entreprises-et-du-.html
Forum of the Friends of the Global Compact	2004	Association of the French corporate members of the Global Compact, which was initiated by the government in 2004 and is now located at the Institut de l'Entreprise. http://www.institut-entreprise.fr/?id=644
Interdepartmental Working Group on CSR	2003	Acts in the context of the national strategy on sustainable development within the former Ministry of Employment, Work and Social Cohesion to analyze CSR and make CSR proposals (Besse 2004).
National Council for Sustainable Development	2003	Comprises around 90 members from regional authorities, municipalities, NGOs, unions, business and consumer organizations. Works under the auspices of the prime minister, e.g. on sustainable development indicators (Portail du Gouvernement 2005).
OECD National Contact Point	2001	The NCP has a tripartite structure, including unions, MEDEF and representatives of MINEFI, MFA and MESD. http://www.minefi.gouv.fr/directions_services/dgtpe/pcn/pcn.php
Committee 21	1995	PPP with public representatives and members of business, media, associations and research institutes. Runs a program on responsible economy to encourage corporations to foster sustainable development at a local, national and international level. Organizes debates and publishes guides on various issues in the context of sustainable development. www.agenda21france.org , www.comite21.org

d. Incentives

Since 1987, the MESD awards an annual prize to companies with outstanding performance with regard to the environment and sustainable development. The Enterprise and Environment Award aims to motivate companies to comply with standards. It is an example of public-private cooperation, with the main partner of the MESD being *Orée*.

The *MESD* also publicly endorses environmental certification and runs campaigns on eco-labels (MESD 2007). Provided that consumers take interest and exert pres-

sure through their purchasing decisions, these labels might also serve as incentives.

The *MFA* provides some incentives in the realm of fair trade. Often those instruments combine an incentive structure with awareness-raising measures. In 2003 the ministry set up a project costing ?5.6 million to promote fair trade by developing new product lines. The project also aims at opening the French market, strengthening channels of distribution, introducing new products, raising awareness and increasing the integration of Southern producers (MFA 2005a). In addition, the MFA

Enterprise and Environment Award	2005	Organized by MESD, Orée and Crédit Coopératif. The award goes to best performers in environmental protection and sustainable development. http://www.ecologie.gouv.fr/Les-Prix-Entreprises-et-.html
Promotion of Fair Trade	2003	The MFA cofinances awareness-raising activities and educational measures for fair trade actors. In 2003, the ministry set up a project at the cost of € 5.6 million in cooperation with Plateforme pour le commerce équitable to promote fair trade. www.diplomatie.gouv.fr/en/article-imprim.php?id_article=1658

finances awareness raising for fair trade and supports the development of new product lines to encourage companies to engage in this sector. MFA funds were used to create the Priority Solidarity Fund, which aims to increase the market share of fair trade organizations.¹⁰ This engagement can be ascribed to the MFA's observation that despite the international growth of the market, France is last in regard to fair trade market shares.¹¹

e. Awareness

The French public sector supports the use of social and environmental standards at the international level. According to a report by the European Commission (2004: 19), during its G8 presidency in 2003, France was active in the promotion of international standards. These include the ILO Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises as well as the United Nations

Global Compact, which is financially supported by the French government. However, the French focus seems to lie on strengthening already existing international conventions and guidelines, and the government engages in little proactive promotion of domestic CSR. As such, CSR policy awareness is mainly based on a desire to strengthen national law using mainstream international guidelines; it thereby misses out on possible innovative activities in the domestic as well as the international domain.

In addition to the activities described above, the MFA cofinanced awareness-raising and educational activities of fair trade actors like *Max Havelaar* and *Collectif de l'éthique sur l'étiquette*. Furthermore, the MESD's promotion of certification and labels does not only serve as an incentive, but it also helps raise awareness of social and environmental issues among companies.

CSR Awareness-raising Instruments

Campaign on eco-labels	2003	MESD promotes the European eco-label and the "Marque NF Environnement"; it runs an annual campaign on eco-labels in cooperation with major French supermarkets, with an emphasis on consumer information. http://www.ecologie.gouv.fr/ecolabels/
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¹⁰ Cf. European Commission, http://ec.europa.eu/employment_social/soc-dial/csr/country/france.htm

¹¹ MFA (Ministry of Foreign Affairs) (2005a): Fair Trade. http://www.diplomatie.gouv.fr/en/france-priorities_1/global-economy_1116/fair-trade_2092/fair-trade_1658.html?var_recherche=FAir+Trade

■ CSR Public Policy Maturity

CSR public policy in France oscillates between high and medium engagement in CSR promotion. With regard to the seven maturity dimensions, three can be classified as fully developed and applied CSR policy, three as indicating some development and application of CSR policy and only one as showing very little engagement.

The competency dimension is one of the weakest points as there is no visible contact person or contact point within government for CSR. However, although the French government has no clear CSR strategy, CSR has been integrated in sustainability strategies and, to some extent, also in development policy. Various French ministries and government entities are involved in CSR promotion. Stakeholder integration in France occurs to some extent, but is lower than in other European countries. Nevertheless, French public CSR policy is comparatively advanced, since there are a many instruments being deployed, mostly connected to the mandatory role of the public sector, some of which have already shown some impact. Finally, some of the French public sector's CSR instruments such as the NRE law have already been evaluated on behalf of the government. In conclusion, CSR public policy is between the second and third generations of overall maturity.

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Germany¹

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Public Policy Rationales

- Create cross-sectoral synergies to achieve domestic policy goals
- Enhance international influence and reputation

Public Policy Activities

- Mandating: in the fields of environmental protection, employment, social policy and corporate governance.
- Partnering: engagement in numerous alliances, initiatives, federations and PPPs

Public Policy Actors

- Federal Ministry of Labour and Social Affairs (BMAS)
- Federal Ministry for Family Affairs, Senior Citizens, Women and Youth (BMFSFJ)
- Federal Ministry for Economic Cooperation and Development (BMZ)

CSR-relevant Context Factors

-  High level of integration into the global economy, world leader in the export market
-  High level of regulation, good law enforcement; decreasing level of social benefits, "crisis" of the conservative welfare state
-  Well developed and influential civil society with wide range of issues
-  Traditional forms of corporatism between actors, few flexible methods of articulating, and cooperating to match global challenges



■ Executive Summary

Profiling CSR

Germany is Europe's most heavily populated country and has been a stable democracy with a federal parliamentary set-up since the end of World War II. The reunification of East and West Germany in 1990 has been the most influential event in younger German history with effects on all sectors of society, politics and economy. As a conservative welfare state, Germany provides a high level of social benefits, which are accompanied by a dense system of regulations. Nevertheless, in recent years the welfare state has reached its limits in terms of decreasing financial resources. Numerous laws governing labour and social affairs, along with regulations on corporate governance, shape the business environment in Germany. Germany's economic order is based on the principle of a social market economy, with the goal of combining the greatest possible amount of freedom with

social justice. As the world's leading exporter, Germany is strongly integrated into the global economy and is an economic heavyweight in global markets. It is also characterised by a strong culture of participation as a result of well-developed corporate structures and powerful interest groups. Accordingly, civic organisations such as associations and initiatives exert a great deal of influence on the shape of society.

CSR is only slowly becoming a policy concern in Germany. Despite a long tradition of civic engagement on the part of private industry, particularly small- and medium-sized businesses (SMEs), it was not until discussion of this issue intensified at the European level and German companies became increasingly focused on the international arena that the concept of CSR entered the political discussion of the role of business in society. However, many of the existing alliances and initiatives that are today viewed in the light of CSR are primarily an expression of the social market economy. This is why formal responsibility for the topic of CSR lies with the

¹ Author of this country chapter is Anna Peters, Bertelsmann Stiftung. She was advised by René Schmidpeter, Center for Corporate Citizenship Austria.

Federal Ministry of Labour and Social Affairs (BMAS). However, this ministry does not appear to dominate the discussion of these issues, as other ministries play a more active role in the context of CSR. Since Germany has always had a variety of laws relevant to CSR, for example in the realm of environmental protection, the government's CSR activities focus mainly on partnerships and alliances with business and on promoting CSR by upholding the OECD Guidelines and the Global Compact.

For some time, the public sector has tried to promote cross-sectoral partnerships related to issues such as job creation or demographic change. A second rationale is to further German's aims on the field of international politics within the development sector and thereby enhance its position as a major donor and partner.

Navigating CSR

All in all, Germany's position with respect to CSR public policy maturity is in the second generation of maturity with some activities in place. The main areas of deficit are the absence of a coherent CSR strategy and clear leadership which could bring together current public policy efforts in this regard. Moreover, practically no efforts have yet been made to take stakeholders in a more institutionalised way into account, or to increase awareness and communication of CSR and evaluate current public policy in this area.

Germany's CSR Rationales already point into the direction of fruitful further development: international aspects and cross sectoral partnerships are two clear trends to be recommended.

Internationally, German public policy needs to assume its responsibility as an economic power in global markets and expand its perception of economic CSR aspects to an international level. This would include an increased, more credible support for international standards like the OECD Guidelines or a stronger link of CSR and export policies.

Domestically, the German society needs to develop its ability to cooperate and work effectively in partnerships going beyond the traditional understanding of a social market economy. Although the tradition of bargaining and sharing responsibilities is there, understanding and methods to reach common goals are not adapted to challenges of a modern system of global governance. A more voluntary and flexible approach of partnerships directly related to CSR could be a good supplement to the high density of regulations.

CSR Public Policy Maturity Levels

Second generation:

- CSR public policy is in the process of development, low level of coordination
- Some activities especially in the field of mandating (environmental and labour issues), as well as partnering initiatives in the fields of education, work life balance and development
- Stakeholders are taken into consideration only sporadically
- The level of communication is low, evaluation does not take place by the government.

CSR Recommendations

- Coherent CSR understanding and strategy are to be developed
- CSR as tool to address global economic issues has not been realized by the government. A stronger promotion and implementation of international standards and tools is recommended
- Create cross-sectoral dialogues between state, business and civil society on CSR
- Expand partnerships into other policy areas with the goal of achieving greater synergy among different sectors



■ CSR-Relevant Context

Political, Social and Economic System

The political system of Germany, which with its 82 million inhabitants is the most heavily populated country in the EU, is a federal parliamentary democracy consisting of 16 federal states, or Länder. The German head of state is the federal President, whose functions are largely representative. The German executive branch encompasses all of the administrative bodies of the federal government, the Länder and municipalities. The highest executive organ is the federal government. The federal Chancellor, as head of government, represents the centre of the country's political power and determines the basic course of federal policy. Administration at the federal level is carried out by the federal ministries, currently numbering 15. They are headed by their respective ministers. The German legislature consists of the Bundestag (lower house of parliament) and the Bundesrat, the upper house of parliament which is made up of representatives of the Länder. Germany's cooperative federalism means that political decision-making processes are strongly delegated. Each Land has its own government, which allows for its own legislation and influence on federal policy. The German judiciary is an independent authority which administers justice based on the Basic Law. Decisions made by the executive and legislature enjoy a high level of confidence in Germany. Many policy areas are regulated by law, in particular regarding environmental protection, labour law and trade. A strong administrative apparatus with established competencies and hierarchies ensures compliance with the law. At the same time, corruption in Germany is a "growth industry" (Bannenberg/ Schaubenstein 2004). Cases of corruption have increased fourfold since 1989. This trend is affecting the political sphere, especially local authorities, as well as the business sector. Inter-company corruption has particularly increased, as scandals in 2007 have shown.²

The German party system is characterised by pluralism and robust competition among parties, which has usually resulted in governing coalitions. Between 1998 and 2005, a coalition of the Social Democrats (SPD) and the Green Party took charge of government for the first time. This period witnessed the introduction of far-reaching reforms of the labour market and welfare state

institutions. These were a response to increasing pressure on the country's social and economic system from growing unemployment and the additional financial burdens of German reunification. After the end of the Second World War and the establishment of the social market economy, the German welfare state was able to guarantee a high level of social benefits until well into the 1990s. According to Esping-Andersen, Germany can be classified as a conservative welfare state whose objective is to preserve the social status of its people (Esping-Andersen 1990). Thus the most recent social reforms constitute a clear break with Germany's traditional social policy, since the partial privatisation of the pension and healthcare systems, for example, is leading to a steady erosion of the welfare state.

Just as social reforms have been underway, the German economy has endured a long period of stagnation. Increasing globalisation, along with stronger economic systems in Asia and Eastern Europe, has led to the loss of large numbers of industrial jobs in Germany. The country's 2.2% higher economic growth since 2006, however, has brought about a noticeable reduction in the unemployment rate from 10.6% (annual average for 2006) to 7% in 2007 (cf. CIA 2007). Despite the economic stagnation of recent years, Germany remains the largest economy in Europe with a GDP of approx. EUR 2.2 trillion, and the third largest in the world. German business is concentrated primarily in the industrial and service sectors. The automotive, commercial vehicle, electrotechnology, mechanical engineering and chemicals industries are of particular international significance and account for Germany's reputation as a "world champion" in exports. Germany's export rates have consistently outstripped its import rates since 1955.

German society which has been marked by strong traditional values in the past is more and more becoming one of ethnic and cultural diversity, with a variety of lifestyles. In recent decades, different forms of partnership and family life have become more common and led to a rethinking of traditional gender roles; in a parallel development, individual freedoms have increased. Despite this social transformation, the "family" remains the most important social unit.

² Report on Corruption in the Federal Republic of Germany 2003, Federal Office of Criminal Investigation, 2004 (http://www.transparency.de/fileadmin/pdfs/Bundeslagebild_Korruption_2003.pdf, 10.08.2007)

Relationship between Economy, Society and Government

As is typical of pluralistic democracies, a variety of interest groups in Germany influence the formulation of social objectives. Indeed, freedom to form associations and coalitions is guaranteed by Germany's Basic Law. Particularly important in this context is Germany's strong "culture of associations": according to the associations' umbrella organisation, the Deutsches Verbände Forum, more than 12,000 such groups have been identified, many of which have been registered with the Bundestag. They have the right to be heard by the Bundestag and the federal government.

Trade unions in particular have a great deal of influence. Since labour, unemployment benefits and pensions have a long tradition in Germany, employees' and employers' associations as well as the trade unions have always exerted considerable influence over social and collective bargaining policy in Germany. As the negotiating partners of employers' associations, the unions conclude industry-wide collective agreements and lead campaigns for higher wages. The law stipulates that contributions to the pension fund and to the health, long-term care and unemployment insurance systems are to be made jointly by the employer and the employee.

In addition, charitable organisations play a major role in social security in Germany. They are responsible for three-quarters of German social services, particularly nursery schools, outpatient services, homes for the elderly

and hospitals. They are especially important with regard to financing and providing social services, while the public sector retains a guarantee obligation. Charity associations offer a stable corporate-model structure which, especially at the local level, is closely connected with church and party organisations. The planned modernisation of the social systems, moving towards privatisation and reducing the level of basic social services, is fiercely criticised by trade unions and socially engaged organisations.

These forms of cooperation are often traditional and highly formalized, following exact patterns and rules. The general ability and willingness to work in flexible, less tested partnerships is rather low, especially compared to the Nordic or Anglo-Saxon countries.

The German NGO scene is characterised by large numbers of environmental groups which emerged in Germany as the environmental movement became much more vocal in the 1970s and 1980s. This period saw the formation of organisations which gained massive political influence and led to the establishment of the Ministry of the Environment, the Federal Environmental Agency and the Green Party. The pressure of globalisation has recently led to an increase in the significance of NGOs in development cooperation work, which in Germany is increasingly becoming a task shared by the state and civil society. All in all, the NGO scene in Germany is an agenda-setter and relatively cooperative, rather than being overly confrontational.

Facts and Figures		Source
GGDP current US\$	2.8 trillion US\$ (2005)	WB
GDP annual growth rate	1,0% (2005)	WB
Import of goods and services	33% of GDP (2004)	UNDP
Export of goods and services	38% of GDP (2004)	UNDP
Corruption Perception Index	8,0 (2006)	TI
Gini Index	28.3 (2006)	UNDP
Public Education Expenditure	4.8% of GDP (2002-04)	UNDP
Public Health Expenditure	8.7% of GDP (2003)	UNDP
Total tax revenues	34.7% of GDP (2004)	OECD
Unemployment rate, annual average	8.0 of labour force (1995-2005)	UNDP
FDI inflow	32,6 billion US\$ (2005)	OECD
Human Development Index Value	0.932 (2004)	UNDP
Seats in parliament held by women	30.5% of total	UNDP

Development of CSR Public Policy

The discussion of CSR is still in its infancy in Germany, as the term itself lacks the tradition it has in the English-speaking countries. However, there is a long history of social engagement by private industry in Germany, particularly in the case of altruistically motivated involvement in the local and regional environment on the part of small- and medium-sized businesses. Not until German companies began to focus increasingly on the international arena was there more discussion in Germany, too, of the role of companies in society under the heading of CSR. The most important drivers of CSR in Germany are companies themselves, which is why its development into a policy concern has been so slow. From the government's perspective, CSR is still seen primarily as a management concept rather than as an innovative contribution to solving problems in society. It should also be noted that many policy areas of relevance to CSR, such as environmental protection, social security and labour law, have long been subject to statutory regulation. Accordingly, there is much less room for voluntary business involvement in Germany than in countries with less regulation. In addition, the dense system of regulations is an important reason why many companies, fearing further restrictions, do not want the government to get involved in the CSR debate.

However, there has always been successful cooperation with companies in certain policy areas, such as education and efforts to make family and work more compatible. But the alliances and initiatives that have been established in the past, which are today seen as part of CSR, are for the most part a reflection of the social market economy. As the discussion of CSR at the European level has intensified, accelerated by the formulation of the European Commission's Lisbon Strategy, more and more attention – including that of the German government – has been focused on the topic of CSR.

CSR Policy Rationale

In Germany, the development of CSR into a policy issue is closely associated with the cultural and socioeconomic conditions of a social market economy. Despite the dense system of regulations and often highly formalized relationships the government has begun to pursue partnerships and alliances with the private sector in certain policy

areas, especially regarding education and social policy. This trend towards taking greater advantage of synergies by involving the private sector, through partnerships and initiatives, has recently accelerated. The main reason for this lies in the financial restrictions to which the state is subject as it seeks to maintain the country's systems of social security.

Owing to its economic importance but also reliance on the world's markets, moreover, Germany bears a great deal of responsibility vis-à-vis developing and threshold countries. Again, partnerships with private entities are important, given the limitations of the German government's options for taking action. Thus a second rationale is the maintaining of Germany's influential role in the system of international politics and economy, furthering the aims of Germany's development sector and establishing its positive influence as a donor and partner.

■ CSR Situation

CSR Public Policy: Understanding and Strategy

The government's understanding of CSR is shaped by the national Sustainability Strategy (2002) and the European Commission's Communication on Corporate Social Responsibility (2006). Following these official statements, the government sees CSR first and foremost as a part of European policy on competition, then as a component of economic and social policy, and finally as a concept for sustainable development at the corporate level. However no goals have been clearly defined in this regard, nor has the German government formulated a national CSR strategy. Also the instruments and actions in place do not mirror these formulated goals.³ Up to now the government has approached the subject of CSR mainly in the context of labour and training issues as well as efforts to make family and work more compatible. At the international level, the government is seeking to promote responsible corporate behaviour, particularly in developing and threshold countries. Hence the concept of CSR is implicitly involved in the German government's "Programme of Action 2015" aimed at cutting the global rate of extreme poverty in half by 2015 (2003).⁴ Since the G8 summit meeting in 2007, there have also been indications that CSR is being

3 (Bertelsmann 2006: 34) sees Schleswig-Holstein's integration of the Sustainability Strategy into cabinet decisions as unique at the Land level. Baden-Württemberg is currently working on its own sustainability strategy as well. It remains to be seen what kind of role, if any, CSR will play in these activities.

4 <http://www.aktionsprogramm2015.de>

CSR-Relevant Strategies and Policy Papers		
Name	Date	Short Description and Reference
Sustainability Strategy	2002	A thematic focus of the Sustainability Strategy is CSR, in the sense of a concept for sustainable development at the corporate level. In August 2005, the federal government adopted the "Sustainability Guide", with which it documented the implementation of the national Sustainability Strategy and simultaneously marked the continuation of the Sustainability Strategy that had been announced in 2002.
Programme of Action 2015	2003	German government programme to cut the global rate of extreme poverty in half by 2015. It expresses the intention of the Federal Ministry for Economic Cooperation and Development also to include companies in PPPs aimed at combating poverty (BMZ 2003).
Statement in response to the European Commission's Communication on Corporate Social Responsibility	2006	The federal government regards its statement in response to the European Commission's Communication (2006) entitled "Implementation of the partnership for growth and jobs: Europe should assume a leading role in the field of corporate social responsibility" as an important contribution to the attainment of the Lisbon targets and to sustainable development (BMAS 2006).

used to bring about a more equitable form of globalisation. According to the German government, the CSR concept is to be deployed particularly for the purpose of encouraging compliance with international social and ecological standards.⁵

CSR Public Policy: State Actors

Owing to the lack of a government strategy on CSR, no clear leadership on this subject is apparent at the policy level. So far, different ministries have been involved in this area, either directly or indirectly. At present, however, there is no clear, recognisable strategy as to how the government's existing CSR initiatives can be networked with one another.

The Federal Ministry of Labour and Social Affairs (BMAS) has officially assumed responsibility for CSR. However, it does not appear that this ministry plays a dominant role in this regard; indeed, in some cases other ministries are more actively involved in CSR. Particularly prominent in this context are the Federal

Ministry of Family Affairs, Senior Citizens, Women and Youth (BMFSFJ), which primarily addresses the issue of the compatibility of family and work, and the Federal Ministry of Economic Cooperation and Development (BMZ), which is concerned with responsible behaviour on the part of businesses in developing countries. Also involved are the Federal Ministry for the Environment, Nature Conservation and Reactor Safety (BMU), especially in promoting environmental management systems, the Federal Ministry of Economics and Technology (BMWi) in promoting compliance with OECD guidelines, the Federal Ministry of Education and Research (BMBF) in the sphere of education and training, and the Federal Ministry of Food, Agriculture and Consumer Protection (BMELV) in the areas of nutrition and health.

The most important institution in Germany that advises the government on CSR is the German Council for Sustainable Development (RNE). This council was set up by the government in 2001 and given the tasks of communicating the topic of sustainability to the German public and advising the federal government on sustainability-related topics, including CSR. However, the RNE

⁵ <http://www.bundestkanzlerin.de/Content/DE/Artikel/2007/08/Anlagen/2007-08-24-abschlusspapier-meseberg.property=publicationFile.pdf>

Selected CSR State Actors		
Name	Description	Main Responsibilities /Activities
Federal Ministry of Labour and Social Affairs (BMAS)	Central government ministry for labour and social affairs	Focuses on cooperation with business, primarily within the scope of alliances and pacts, in order to address issues of quality of work and working conditions. www.bmas.de
Federal Ministry of Family Affairs, Senior Citizens, Women and Youth (BMFSFJ)	Central government ministry for family affairs, senior citizens, women and youth	Focuses on corporate programmes and private-sector initiatives in pursuing a strategy to make family and work more compatible and to promote civic engagement. www.bmfsfj.de
Federal Ministry of Economic Cooperation and Development (BMZ)	Central government ministry for economic development	Focuses primarily on partnerships with business, especially within the scope of PPPs and programmes of action. www.bmz.de
German Council for Sustainable Development (RNE)	Semi-public body for sustainable development	Government advisory body for CSR, consisting of representatives from all sectors in society. The Council organises dialogue sessions and conferences on the subject of CSR and provides recommendations to political and business decision makers. www.rne.de

serves only to make recommendations, and does not directly influence government action. In 2006, for example, the Council elaborated CSR recommendations for the government and the business sector, specifying the next steps for bringing CSR forward by political means. The federal government has yet to respond to that recommendation.

CSR Public Policy: Nonstate Actors

The main drivers of CSR in Germany are *companies*, with globally active firms based in Germany being particularly active in showing a strategic understanding of CSR and organising social responsibility in concert with their core business operations. Small- and medium-sized enterprises (SMEs) and owner-run companies, which make up some 90% of the German economy, have always regarded a responsibility to society as part of their identity, a fact that is reflected in traditional patronage and sponsorship, particularly in the arts, culture and sports. Social engagement in these fields is often practised in the company's local environment and is less frequently associated with the respective core business.⁶ Because of the high density of regulations in Germany and the

EU area, opportunities for action are less obvious than in other part of the world. This state of affairs is particularly significant in the spheres of environmental protection and sustainability as well as in labour and social policy. Companies tend to see CSR in terms of voluntary social engagement above and beyond legal requirements. The most important areas in which German multinationals exhibit CSR are to be found in the organisation of their supply chains and production, which are often found in developing and threshold countries. For example, many industries have already agreed on voluntary standards for "clean production". One example of this is the Common Code for the Coffee Community. Other important fields of engagement are employee-oriented measures and the promotion of basic and advanced vocational training. At the global level, the German firms Adidas and Henkel are two of the 50 largest companies in the world recognized as trailblazers in the field of CSR.⁷ It is gratifying to note that many German companies occupy a favourable position in the global and European sustainability indexes.

In addition, *business associations* play an important role in promoting CSR, for example through the network CSR Germany and the national platform econsense.

⁶ See also the initiative by the Bertelsmann Stiftung at www.unternehmen-fuer-die-region.de

⁷ Tomorrows Value. The global reporters 2006 Survey of Corporate Sustainability Reporting http://www.sustainability.com/downloads_public/insight_reports/tomorrowsvalue.pdf

Moreover, the German Global Compact network currently encompasses some 90 German companies, most of them internationally active, and focuses mainly on raising awareness of CSR.

The German *NGO scene* is taking a reserved attitude towards CSR and has only a limited role in its promotion. While a few NGOs operate as watchdogs that are critical of industry, more and more nonprofit institutions are becoming more open to cooperating with the business sector. Most of these are “non-robust partnerships”, as cultural barriers and deep-seated misgivings on both sides make cooperation more difficult. Nevertheless, there is a discernible trend towards more and more mediatory organisations (e.g. voluntary agencies and civic foundations) becoming involved in initiating part-

nerships among companies, nonprofit organisations and public institutions. German welfare organisations, on the other hand, see their role in terms of the classic welfare state and consider it their primary task to take an independent role in safeguarding social interests with the help of state financing. There is little sense of partnership in this approach, as associations regard corporate cooperation primarily as a means of shoring up their own positions.

Compared with scholars in other European countries, German *academics* are very cautious about taking on CSR as a field of research. Integration of this topic into research and teaching is proceeding very slowly, and little momentum is coming from the German academic sphere.

Selected CSR Nonstate Actors		
Name	Description	Main Responsibilities /Activities
Confederation of German Employers' Association (BDA) and Federation of German Industries (BDI)	Interest groups representing German employers and German industry, respectively	BDA and BDI promote the development of CSR through the information portal www.csrgermany.de and are the initiators of the national CSR award entitled “Freiheit und Verantwortung” (“Freedom and Responsibility”). www.bda.de . www.bdi.de
Econsense: forum for the sustainable development of German business	German corporate network to promote CSR	A network across industry boundaries comprising leading globally active companies based in Germany. It promotes CSR by engaging in dialogue with politics and society and by spreading best-practice examples. www.econsense.de
Initiative for Freedom and Responsibility	Association of the leading German business associations to promote CSR	Joint initiative by the leading German business associations BDA, BDI, the Association of German Chambers of Commerce and Industry (DIHK) and the German Confederation of Skilled Crafts (ZDH), which holds public events and presents a CSR award to companies each year. www.freiheit-und-verantwortung.de
Global Compact	Global network of companies, NGOs, public and academic institutions for CSR	The Global Compact Network Germany allows German companies to join forces with other participants to exchange ideas and information on successful projects. In dialogue with state actors and NGOs, partnerships are initiated and workable approaches developed on a voluntary basis. www.globalcompact.org
National Network for Civil Society (BBE)	Network to promote civic engagement	Nationwide network that brings together organisations from the third sector, companies and public-sector institutions. The network's task is to improve the legal, organisational and institutional conditions for civil engagement. The network receives government funding. www.b-b-e.de

Companies: Partners of Youth (UPJ)	Initiative for corporate citizenship and civic engagement	Nationwide competence network comprising companies, nonprofit mediator organisations and business and administrative stakeholders, aimed at solving societal problems and promoting a sustainable community. The network receives government funding. www.upj.de
Aktive Bürgerschaft ("Active Citizenship")	Competence centre for civic engagement run by the cooperative banks Volksbank and Raiffeisenbank in the "Finanz-Verbund" cooperative scheme	Analyses, reports and information portal on corporate citizenship, especially for SMEs. www.aktive-buergerschaft.de

CSR Public Policy: Instruments and Activities

a. Mandatory framework

An important aspect of German CSR policy is Germany's very dense system of regulations. Although no laws have been passed dealing expressly with CSR, many areas with relevance to CSR have long been regulated by law; these include employee, consumer and environmental protection as well as social issues and corporate governance. In comparison with other countries, German companies are already fulfilling many minimum standards under the law.

Since 2001, moreover, company pension funds and providers of private old-age pensions have been required to provide information about the ethical, ecological and social aspects of their investment policies. This duty of transparency has not had any notable impact on investment policy, however, as many German investors continue to exclude sustainable investment options. Furthermore, the government has not put in place any statutory regulations concerning socially responsible investment.

Since 2001 there have also been ecological, social and human rights guidelines governing direct investments abroad (export credit guarantees). However, the Council for Sustainable Development points out that there is clearly a need to improve the guidelines, particularly with regard to transparency and the monitoring of human rights standards (Council for Sustainable Development 2006).

Although the guideline on the coordination of public-sector construction, delivery and service contracts, which stipulates that ecological and social aspects must be considered when selecting a company, was adopted at the European level in 2004, CSR plays no part in the awarding of public contracts in Germany.⁸ The BMUNR and the BMWi are seeking to require federal authorities to take into account companies' participation in the European environmental management system EMAS during the bidding process.

Since 2004, large corporations have been required by the German Reform Law on Financial Reporting (BilReG) to publish non-financial performance indicators in their status reports (Bundestag 2004). This obligation, however, applies only if these indicators are relevant for assessing the course of business. In other words, this law does not require detailed reporting with respect to CSR in annual and interim reports.

b. Soft law

The German government explicitly promotes the OECD Guidelines for multinational companies. The National Contact Point (NCP), which is responsible for publicising the guidelines and handling complaints, is located in the Ministry of Economics and Technology (BMWi). Since 2002 there has also been a working group on the OECD Guidelines convened by the BMWi, consisting of representatives from various ministries, business associations and NGOs. The working group handles complaints and discusses questions relating to the Guidelines. The competence of the working group and the degree to which its recommendations are binding have not yet

8 <http://europa.eu/scadplus/leg/de/lvb/l22009.htm>

been clarified, nor has its status with respect to the NCP. The OECD Guidelines are still little known in Germany. This is mainly because the NCP has not yet done a great deal to increase their visibility. Since the Guidelines were revised in 2000, nine complaints have been filed in Germany. NGOs consider it imperative that improvements be made in the work done by the German contact unit, particularly with respect to publicising the Guidelines, handling complaints and ensuring transparency (Germanwatch 2006).

In 2002, the Federal Ministry of Justice (BMJ) adopted the German Corporate Governance Code (DCGK). While company participation in the Code is voluntary, it contains a legal provision which stipulates that the management and supervisory boards of listed companies must declare annually whether or not they are complying with the Code's recommendations. Thus the DCGK is a soft-law instrument only in part, since in addition to the regulation on conformity it also stipulates that German companies must comply with a framework of standards and values for good and responsible corporate management. It is also designed to provide investors and shareholders with an assessment catalogue for evaluating management. How many non-listed companies have signed the Code has not been made public.

c. Initiatives and partnerships

Germany has a number of national initiatives and partnerships relating to CSR. Closer inspection, however, reveals that most of these were originally initiated without any reference to this concept. Activities listed by the federal government include numerous alliances, initiatives and pacts relating to vocational training, work, employment and efforts to make work and family more compatible. The BMAS, BMFSFJ and BMBF are particularly active in these areas at the ministerial level. Since Germany's economic system is based on the principle of social security, German policy has traditionally sought to get companies involved particularly in these areas, which means taking advantage of synergies.

There are several political initiatives and partnerships aimed at promoting corporate responsibility in international relations. Relative to other European countries, and especially on the field of economics and trade, Germany could do more. The activities headed or initiated by the federal government include the "Round Table on Codes of Conduct" moderated by the BMZ as part of the

Programme of Action 2015. The purpose of this multi-stakeholder forum is to discuss the introduction of voluntary codes of conduct in German companies in order to improve social standards in developing countries. The Round Table on Codes of Conduct involves not only the BMZ and other federal ministries, but also companies, business federations, trade unions and NGOs.⁹ In addition, the BMZ specifically includes companies in development policy within the scope of numerous PPPs.

Furthermore, the German government supports the principles of the Global Compact (GC) and provides financial backing. Since 2001, German Technical Cooperation (GTZ), by order of the BMZ and at the request of German business, has been coordinating the German section of the Global Compact network. This is done in close coordination with the Ministry of Foreign Affairs and the International Chamber of Commerce (ICC) in Germany. The German network currently contains some 90 German companies, as well as federations, academic organisations and NGOs.¹⁰ More than half of the DAX 30 companies are part of the GC network, and most of the companies involved are active in the fields of industry and commerce. Since 2004 the German network has published an annual yearbook offering detailed insights into members' activities. Although the number of companies has grown steadily, most of them are still large corporations. Next steps for the development of this network could be made by recruiting more SMEs as participants and setting up an active multi-stakeholder dialogue.¹¹

9 <http://www.coc-runder-tisch.de/coc%2Drunder%2Dtisch/>

10 <http://www.gtz.de/de/leistungsangebote/2701.htm>

11 <http://www.entwicklungspolitik-online.de>

Main CSR Initiatives and Partnerships		
Name	Date	Description and Reference
National Pact for Career Training and Skilled Manpower Development	2004-2010	Federal government and the business sector, in cooperation with the Länder, undertake to ensure that all youths who seek vocational training are offered such training. Even youths with limited opportunities should be given a chance for vocational training. German business has set itself the task of providing an average of 60,000 new training places per year. http://www.bmbf.de/pub/ausbildungspakt_2004.pdf
Initiative for a New Quality of Work (INQA)	Since 2002	Joint initiative by the federal government, Länder, companies, trade unions and social security institutions with the objective of reconciling the interest of employees in healthy and health-promoting work with the commercial interests of companies. www.inqa.de
Alliance for the Family	Since 2003	Initiatives with a medium-term orientation for improving the work-family balance are bundled under the umbrella of the "Alliance for the Family". The Alliance's partners are the leading German business associations, trade unions, foundations, well-known companies, prominent economists and political figures. http://www.bmfsfj.de/Politikbereiche/Familie/familie-und-arbeitswelt,did=11408.html
Local Alliances for the Family	Since 2004	Initiative launched by the BMFSFJ for the purpose of triggering improvements for the family at the local level. This cooperation among the Länder, local authorities, companies, federations, churches, welfare organisations and parents' initiatives has become a model of success which has been emulated throughout the country and has set the course to achieve a lasting change of mentality. Partners have now joined forces in more than 360 towns and cities, municipalities, districts and regions. More than 2,200 companies are involved. http://www.lokale-buendnisse-fuer-familie.de/
AVE Sector Model	Since 2004	In a first result of the Round Table on Codes of Conduct, the German retail sector's foreign trade organisation "Außenhandelsvereinigung des Deutschen Einzelhandels e.V." (AVE) joined together to standardise social standards in German retailing. Within the framework of a PPP, it is cooperating with the BMZ in the most important import markets to establish a system for auditing and qualifying suppliers. http://www.ave-koeln.de/csr/pub/ave_sd_0403de.pdf
Common Code for the Coffee Community (CCCC)	Since 2002	With support from the BMZ, German Technical Cooperation (GTZ) initiated the CCCC in conjunction with the German Coffee Association (DKV). The aim of this PPP is to improve the social and ecological conditions prevailing in coffee production. On the German side, coffee roasters are participating in the Code. http://www.sustainable-coffee.net/

d. Incentives

Prizes and competitions are not the focal point of German CSR policy. At the national level, the BMAS has been committing itself since 2004 to greater corporate responsibility in the fields of labour and training by holding the competition “Beschäftigung gestalten – Unternehmen zeigen Verantwortung” (“Structuring employment – companies show responsibility”). The nominated companies are presented throughout the country as “good examples” worth emulating.¹² In 2005, more than 150 companies applied for a single award. The BMFSFJ also supports the “Family and Work Audit” in which companies receive a certificate from the non-profit foundation Hertie-Stiftung for their commitment to making working conditions more family-friendly. The number of employers who are using the Audit as a strategic management instrument for reconciling work and family life has increased to 500 this year.¹³ At the Land level there are several competitions aimed at encouraging civic engagement by companies, e.g. the “ENTERpreis” award presented by North Rhine-Westphalia’s Ministry of Generations, Families, Women and Integration.¹⁴

e. Awareness

The German political sphere is not engaged in explicit campaigns or events to provide information or raise awareness of CSR. Instead, efforts are confined to individual activities focused on a variety of aspects. In addition, the BMZ is contributing EUR 3 million to the “Fair feels good” information campaign, which is part of the federal government’s “Programme of Action” for cutting global poverty in half and seeks to increase awareness of fair-trade products in Germany.¹⁵

The BMUNR is promoting the European environmental management system EMAS (Eco-Management and Audit Scheme) in brochures and over the internet, and provides recommendations for sustainability reporting. Since early July 2007, the BMUNR has also been supporting the “Wir für EMAS”¹⁶ (“We’re for EMAS”) campaign. So far, 1,500 companies and organisations in Germany at 2,000 different locations have introduced the system. The European standard has been less successful than international standards such as ISO 14001. Moreover, many CSR reports that appear in Germany fail to satisfy international standards with respect to CSR reporting.

■ CSR Public Policy Maturity

German CSR public policy is about average in terms of maturity, especially when compared with neighbouring countries in Europe, and is therefore assessed as being in the second generation of maturity. Although responsibility for CSR in Germany has clearly been allocated to the BMAS, its subject matter is implemented neither strategically – based on a clear national CSR strategy and clearly formulated policy rationales – nor by a single unit. Instead, issues relating to CSR are addressed by various different ministries without the help of networking among them and without linking their activities. In principle, the government understands the importance of involving stakeholders in political decision-making processes, but no regular, institutionalised process is in place to provide for an exchange of views. Instead, there is only sporadic dialogue within the framework of individual initiatives. So far, CSR activities in the realm of German politics have for the most part involved partnerships and endorsements, but their scope has been limited by the country’s dense system of regulations. The German government has failed to show much initiative in raising awareness of CSR; so far its efforts have been confined to certain selected areas, such as fair-trade products. As of yet the German government has not carried out any evaluation at all of the CSR activities that have taken place. All in all, it is evident that German policy on CSR remains at a stage in which only first- and second-generation instruments are being deployed.

¹² <http://www.bmas.bund.de/BMAS/Navigation/Arbeitsmarkt/Programme-fuer-Arbeit-und-Ausbildung/beschaefigung-gestalten.html>, 10.08.2007

¹³ <http://www.beruf-und-familie.de>, 10.08.2007

¹⁴ http://www.corporate-citizenship.nrw.de/wett_enterpreis.html, 10.08.2007

¹⁵ The campaign’s initiators are Verbraucher Initiative e.V., TRANSAIR e.V. and Weltladen-Dachverband e.V. <http://www.fair-feels-good.de>

¹⁶ www.wir-fuer-emas.de

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Available: http://www.sustainability.com/downloads_public/insight_reports/tomorrowsvalue.pdf

India¹

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Public Policy Rationales

- Enhance international economic competitiveness
- Address challenges to socio-economic integration

Public Policy Actors

- Mandating: Corporate governance laws and consumer protection; labor laws; CSR-reporting; environmental standards
- Awareness raising: encouraging labeling programs; endorsing ISO 14000 / 9000; some funding for teaching
- Partnering: Coordination Committee to promote Affirmative Action in the Indian Industry

Public Policy Activities

- National Foundation for Corporate Governance
- Ministry of Labor and Employment
- Ministry of Corporate Affairs

CSR-relevant Context

-  Increasing level of economic integration into the global economy, development gap between Indian MNCs and SMEs
-  Low levels of government capacity for law enforcement and implementation, high levels of corruption
-  Wide social gaps in dynamic society
-  High level of political participation of societal actors, coupled with a high tolerance for dissent



Executive Summary

Profiling CSR

India is often known as the world's largest democracy and increasingly as a transitional/developing country that, together with China, stands for the "Asian" power house of economic growth and political clout. India's importance as an international actor is also determined by the strategic importance vis-à-vis its most important neighboring countries, Pakistan and China. The constitutional democracy is based on a vibrant and competitive party system. Indian society is highly diverse and is characterized by both tolerance and difference, in part related to the influence of Hinduism, itself an internally diverse system of religious, spiritual and philosophical thought. The openness that characterizes Indian politics and society was not always reflected in the economic

system, which was tightly controlled following political independence in 1947 until the first moves towards liberalization and privatization in 1991. With projections of 7- to 8-percent growth rates in the coming decade, economic growth remains strong but is still dependent on the IT services sector in the main. Moves are now under way to prioritize manufacturing for export and to boost domestic consumption.

As a democratic, developing country that is increasingly integrating into the international political system and into the global market, CSR public policy is seen as important but is still in its infancy. The main public policy actor is the central government and its related ministries. The *National Foundation for Corporate Governance* also plays a vital role. So far, public policy activities take place through mandating/legislating, through endorsing and encouraging CSR-related programs and through some partnering activities.

¹ Author of this country profile is Eva Maria Nag, London School of Economics. She was advised by K. Balakrishnan, SDM Institute for Management Development, India.

While there is no overall guiding strategy for CSR public policy in India, two important rationales for CSR policy are India's desire to enhance the country's international economic competitiveness, on the one hand, and the need to address key challenges to India's equitable and sustainable development by integrating underprivileged social groups, on the other.

Navigating CSR

India's public policy maturity in the field of CSR may be considered to be in the first generation and moving towards the second generation, i.e. displaying few coherent activities. The government addresses the issue of CSR as part of social and environmental sustainability strategies. However, the range of instruments is highly limited. CSR public policymaking is hampered by the lack of a visible contact point in the government, by the lack of coordination points, by few indications of effective communication and awareness raising, as well as by no visible evaluation of CSR activities by the government.

CSR public policy development in India would benefit from greater agreement among state, business and societal actors on what CSR means and what its role is to be. While conceptual problems can be resolved by focusing on a range of instruments such as facilitating dialogue and communication, a bigger problem is the implementation of public policy. Given India's large volume of legislative activity and weaker evidence of implementation and enforcement, greater stress will have to be put on voluntary agreements.

CSR Public Policy Maturity Level

First generation:

- Some activities are in place, such as encouraging the employment of backward castes in the private sector
- Stakeholders are taken into consideration sporadically
- The level of communication is low
- Evaluation by the government does not take place.

CSR Recommendations

- A coherent CSR strategy is to be clarified and developed, international standards should be applied
- Local business especially SMEs are to be incentivized more to take up the subject
- Addressing the issue of implementation, stressing voluntary initiatives and incentives
- CSR should be used to give voice to deprived groups
- Arriving at greater agreements on CSR by state, business and societal actors



■ CSR-Relevant Context

Political, Social and Economic System

India is often known as the world's largest democracy and increasingly as a transitional/developing country that, together with China, represents the "Asian" powerhouse in terms of economic growth and political clout. Its constitutional democracy is based on a vibrant and competitive party system. India has a federal structure of governance, whereby the balance of political power is shifting towards its linguistically divided regions and away from the formerly powerful center. State autonomy therefore remains structurally restricted as a result of India's federal political system, its social and political pluralism and its concurrent dependency on coalition-building as a way of constructing a viable government. A key public sector actor is the influential but cumbersome bureaucracy. As a major provider and user of good, it remains reluctant to share power and resources, especially with nonstate actors. India's importance as an international actor is growing, determined by economic growth rates as well as strategic importance vis-à-vis its most important neighboring countries, Pakistan and China. Key organizations in which it is a member include ASEAN (dialogue partner), ILO, IMF, SAARC, UN, UNCTAD, UNDOF, UNESCO, UNHCR, UNIDO, WHO, WIPO and WTO. India is also signatory to a number of international environmental agreements, none of which, however, has been ratified. These include the Antarctic-Environmental, Biodiversity, Climate Change and Kyoto protocols.

Linguistically and ethnically, India's society is highly diverse. The country's population considers itself to be religious, with Hindus making up roughly 82 percent of the population, Muslims about 12 percent and Christians, Buddhist and Jains making up about 5 percent. Social differences are vast, not only created by income inequalities but also by the caste system, which at the same time lends itself well to the politics of electoral mobilization. The internally diverse system of religious, spiritual and philosophical thought that characterizes Hinduism contributes to the prevalence of both tolerance and conflict in India's civil society. Its spiritual attitude supports the notion of tolerance whereas the dominance of certain castes through Hinduism has sharpened socioeconomic differences. Although Indian society values its

traditions and ancient culture, pride is also taken in its liberal democratic system, which is characterized by dissent, debate and the proliferation of various voluntary associations. The national culture is therefore considered to be open to changes and to unstructured ideas and situations (cf. Khilani, 1997 ; Guha, 1997).

The openness that characterizes Indian politics and society was not always reflected in the economic system, which was tightly controlled following political independence in 1947 until the first moves towards liberalization in 1991 (cf. Kohli, 2004). Liberalization was gradual, beginning with the trade and industrial sectors within the domestic market and it was only later, as of the late 1990s, that liberalization took place in terms of India's integration into the international system of trade and finance. It is noteworthy that there has been relative stability in economic policymaking despite a succession of coalition governments. With projections of 7- to 8-percent growth rates in the coming decade, economic growth remains strong but is still dependent on the IT services sector in the main. Moves are now under way to prioritize manufacturing for exports² and to boost domestic consumption. Key concerns facing Indian policymakers are the inflation rate of 6.7 percent, volatile oil prices and differences over how to set targets for agricultural subsidies. In industry, sustaining gas and power supplies are issues of major concern. A major task for India's democratic government is making growth inclusive in view of some indications of social unrest, as well improving intervention in critical areas such as education and health. Widespread illiteracy (39 percent, UNDP 2006) and the high rate of HIV/AIDS (0.9 percent, UNDP 2005) pose serious challenges to India's political, economic and social health.

Relationship Between Society, Economy and Government

The relationship between the state and civil society has generally been an authoritarian one, being a legacy of the socialist days of democratic centralism as well as characteristic of most post-colonial developmental states. However, governmental authority was first seriously challenged in 1977, when the Congress government under Indira Gandhi was seen to subvert democracy by introducing centralist, dictatorial rule during the period called "The Emergency." This period saw civil

² The National Planning Commission aims for industry to grow at 10 percent, taking its share of GDP up to 26.4 percent, and for services to grow at 11.2 percent, taking their share of GDP to 55.1 percent.

society becoming very vocal in its opposition to the government for the first time. Since then the print media have become one of the mainstays of Indian civil society, acting as watchdog and popularizing the activities of various NSMs (New Social Movements). Other, more recent challenges to the authority of the central government have come from a diverse range of NGOs concerned with unequal economic development, environmental degradation and social unrest; from regional centers of political and economic power; and increasingly from those sections of Indian big business that see themselves as being undermined as a result of policies of economic liberalization that welcome foreign investment and the presence of MNCs into the country. The relationship between the government and civil society is therefore characterized by tension and conflict in the main, rather than by cooperation.

There has been some improvement in the relations between the government and business sectors, especially after 1991, partly as a result of the Indian state's commitment to privatization and economic liberalization. In the last three years the growth of the Indian economy has been clearly driven by the private sector. As such, the public sector is trying to move to a model where social priorities are decided by the government, with resource utilization left in the hands of the private sector (cf. Kohli, 2004).

The relationship between the business sector and society had been either cordial or nonexistent until the 1990s.

Big industries, whether privately owned or state-owned, often acted paternalistically towards wider society. However, the relationship has increasingly become one of unease and occasional conflict, not in the least driven by NGO opposition to the perceived economic power of MNCs. These conflictual movements are often understood as part of wider relations, which are being affected by the depth and speed of economic and cultural globalization. The 1995 crisis regarding the Dabhol Power Company of Enron was possibly the first instance of civil opposition to a business that was ill-conceived and defended by the public sector with deliberate misinformation. In recent years, much of the opposition to business has been driven by strategic and temporary alliances of political groups and NGOs. Examples are the opposition to Kentucky Fried Chicken and the controversy over pesticide levels in Coke and Pepsi-Cola.³

There are some significant societal movements that violently oppose both the government and business sectors, notably the radical leftist Naxalite movement. At the moment, Naxalites and various NGOs have similar agendas in opposing the creation of SEZs (Special Economic Zones) in the country, citing developmental terrorism by the state on behalf of business. The government's response has been in stressing the benefits of the dual strategies of continued privatization and liberalization, as well of addressing long-standing problems of unemployment, especially in the rural sector, and growing socioeconomic divides (cf. Bhaduri, 2007; Singh, 2006).

Facts and Figures		Source
GDP	946.1 billion US\$ (2005)	WB
GDP annual growth rate	9.2% (2006)	UNDP
Import of goods and services	23% of GDP (2004)	UNDP
Export of goods and services	19% of GDP (2004)	UNDP
Corruption Perception Index	3.3 (2006)	TI
Gini Index	32.5% (2006)	UNDP
Gender Equity Index	41 (2007)	Social Watch
Public Health Expenditure	1.2% of GDP (2003)	UNDP
Public Education Expenditure	3.3% of GDP (2002)	UNDP
FDI inflow	16.4 billion US\$	icrier.org

3 <http://www.twinside.org.sg/title/tnc-ch.htm>

Development of CSR Public Policy

The development of CSR public policymaking will depend significantly on the dynamic state of India's economy, politics and social movements. Ideas of the social responsibility business should assume are rooted in British rule and the notions that were transmitted thereby, e.g. Fabianism. At the same time, Gandhianism led to a pervasive focus on philanthropy and the concept of trusteeship as legitimate ways of ensuring a balance between private and societal interests. Gandhianism was also based on Hinduism's religious and spiritual traditions that laid great importance on the act of giving to the needy.⁴ India's philanthropic tradition, an outcome of modern Fabianism and traditional Hinduism, thus has had a long-lasting influence on the development of the country's CSR agenda and on CSR public policy and is beginning to address those priorities that had long been set by business-based, philanthropic institutions, such as family planning, education, health and sanitation.⁵

However, the socialist era of post-1947 also saw the rise of a strong and democratic state, which recently has begun to disburden itself through policies of liberalization and privatization. The corporate sector now is far more integrated in the global market, leading to the need for the formulation of CSR policies that take international developments in CSR norms and policies into account. This is the external dimension of CSR public policymaking. The internal dimension is represented by India's strong democratic tradition of conflictual relations between incumbent governments and the electorate, which is becoming increasingly vocal regarding the growing gaps in wealth and personal opportunity. CSR policymaking therefore also takes domestic pressures and needs into account.

Thus, in terms of issues, the development of CSR shows an alignment between the demands made by investors and buyers, in light of both international standards and domestic concerns. Social and environmental issues, corporate governance and employee rights are the three major areas of responsive policymaking. Examples of the first set of issues are bonded and child labor, local community development, health, education and inclusive growth. The second major area is that of corporate governance and of consumer protection. The third, where the government's CSR agenda has been traditionally

strong, is safe working conditions in large industrial enterprises and responsible labor practices.

In light of the country's complex societal structure, which includes a caste system along with other dimensions such as class and gender, a CSR public policy development that is unique to India has to do with its conception of CSR as relating to community affairs. This notion is embedded within the public sector as well as within Indian nonstate actors, including corporate actors. Within the country's philanthropic traditions, community affairs were often seen through the lens of development work in the areas of health and education, and in the areas of folk culture and the performing arts.⁶ Given India's rapid economic growth, however, which has so far been based on capital-intensive rather than labor-intensive sectors such as IT, current CSR public policymaking is also attempting to respond to challenges and threats posed to fragile and potentially disruptive intercommunity relations, especially those determined by caste differences, by rapid, inequitable development. The biggest issues here are education, training and unemployment. The government's CSR public policy efforts are therefore now directed at integrating so-called backward castes into the economy through affirmative action, especially in the tertiary education and employment sectors. So far, affirmative action, known in India as "reservation," has been restricted to training and employment opportunities in the public sector. New and hotly contested proposals are being drafted that seek to broaden the scope of affirmative action to the private sector as well.⁷

CSR Policy Rationale

India's future economic development and sociopolitical stability rely on the dual bases of economic growth and good governance. Both bases are necessary to ensure continued and sustainable wealth creation, on the one hand and the equitable distribution of added wealth, on the other. However, the growth of an export-oriented economy cannot happen without an international license to operate, which entails acceptance of international norms, especially in the areas of labor, corporate governance and environmental protection. Yet growing gaps in wealth and personal opportunity within society can and do lead to unrest, which will continue to burden the world's largest democracy and dampen its economy. Thus, CSR in India must take place in the space dominated by international demands and internal needs.

4 <http://www.hinduonnet.com/thehindu/thscrip/print.pl?file=2003030400020200.htm&date=2003/03/04/&prd=op&>

5 <http://www.asianphilanthropy.org/countries/india/overview.html>

6 <http://www.asianphilanthropy.org/countries/india/overview.html>

7 <http://www.thecompletecorporate.com/affirmativeaction/government.htm>

On the one hand, CSR promotion is related to the government's desire to facilitate India's deepening economic and political integration into the globalizing world. External pressure by international actors and donors has a clear influence on CSR-related policymaking in that India is a signatory to a number of international conventions. As a result, some of the external demands to legislate in the areas of labor rights and environmental law are voluntarily accepted, in the spirit of India's long-standing self-perception as a cooperative member of the international community, one wanting to play an increasingly important role, e.g. through a permanent UN Security Council seat. Other sources of pressure have been international NGOs such as Greenpeace.

On the other hand, the democratic government is also required to respond to demands made by various interest groups seeking to address the problems stemming from a growing and resource-intensive economy, in a country where the state has failed to deliver comprehensive and universal public goods. Here, however, notions of CSR have to do not so much with the redistribution of goods but with the provision of equal opportunity, especially within the sectors of education, training and employment. It is in this context that the government's preoccupation with the question of persistent caste discrimination is to be understood, as well as its search for partners for addressing this problem. The private corporate sector, with its philanthropic traditions and as the main provider of employment, is viewed by the Indian government as its key partner for domestic CSR policymaking.

■ CSR Situation

CSR Public Policy: Understanding, Strategy

Although the current coalition government under Prime Minister Manmohan Singh has indicated interest in putting CSR on its policy agenda, the approaches are still sketchy.⁸ The main points of criticism are generally the lack of a single vision by the government on CSR and a scattershot approach regarding CSR instruments. CSR is seen as a means of rectifying societal imbalances, i.e. unequal relationships between wealthy corporates, a

shrinking public sector, a vocal but less influential civil society and the impoverished masses.⁹ Moreover, philanthropy remains the strongest driver for CSR in India. The most visible strategy pursued by the government is currently the attempt to promote affirmative action in India's industrial sector, along with various efforts in the areas of environmental degradation, employee rights and corporate governance. Regarding affirmative action, the government so far has voiced support for demands made in 2003 by members of parliament belonging to the group of Scheduled Castes and Tribes.¹⁰ To this effect it has scheduled meetings for dialogue with industry in 2007 to arrive at a consensus and pave the way for formal policymaking.

CSR Public Policy: State Actors

Thus far, there is no single state actor that deals specifically with CSR issues or with the question of CSR itself. CSR-related policies in the diverse fields of corporate governance, social justice and welfare, agriculture, health and education are formulated by a wide array of central government ministries. As far as specific activities in the area of CSR are concerned, the main public actors are the *Ministry of Commerce and Industry*, the *National Foundation for Corporate Governance*, the *Ministry of Labor and Employment* and the *Ministry of Environment and Forests*.

India's federal system has influenced the often highly diverse performance of individual states. CSR development in the new and globally integrated IT sector has benefited from new momentum in the country's south, where most IT firms are based. However, with regard to general trends in CSR development, the main driver is the central government. This is also connected to the central government's move to boost economic growth by planning the creation of more than 500 SEZs. As of February 2007, states will no longer be allowed to acquire land for SEZs. Rather, this will be left to private developers. In the drive for investment and export markets, the government is tempting companies with controversial nonfiscal concessions. Freedom of association and collective bargaining rules as well as the Environment Protection Act will not apply to SEZs. Companies will be able to hire and fire as they wish. Neither will they be required to obtain environmental clearance for their projects. With the sidelining of states and NGOs in this key policy area, hopes for CSR policy development are

8 The state of CSR in India 2004: Acknowledging progress, prioritising action, The Energy & Resources Institute, India

9 http://commerce.nic.in/PressRelease/pressrelease_detail.asp?id=565

10 <http://timesofindia.indiatimes.com/articleshow/370029.cms>

pinned on a fruitful exchange between the central government, as it responds to societal needs, and the relevant corporates, as they enhance their reputation by

taking labor and environmental issues seriously, even in the absence of CSR-defining laws.¹¹

Selected CSR State Actors		
Name	Description	Main Responsibilities/Activities
Ministry of Commerce and Industry	Public authority for enhancing international trade, and evolving procedures in foreign trade policy that will be of maximum benefit to the public.	Promoting affirmative action (reservation) within the private sector; raising awareness of international and national regulations. <i>Reference: http://commerce.nic.in/</i>
Ministry of Labor and Employment	Public authority set up to enact and enforce labor laws and implementation of related programs.	Creation of a healthy work environment; ensuring the welfare, health, safety and social security of employees <i>Reference: http://labor.nic.in/</i>
Ministry of Environment and Forests	To promote sustainable development, conservation of flora and fauna, reforestation, prevention and control of pollution, animal welfare.	Environmental impact assessment; dissemination of environmental information; international and national cooperation in relevant programs. <i>Reference: http://www.envfor.nic.in/divisions/csurv/geac/geac_home.html</i>
Ministry of Environment and Forests	To promote sustainable development, conservation of flora and fauna, reforestation, prevention and control of pollution, animal welfare.	Environmental impact assessment; dissemination of environmental information; international and national cooperation in relevant programs. <i>Reference: http://www.envfor.nic.in/divisions/csurv/geac/geac_home.html</i>
National Foundation for Corporate Governance	With the goal of promoting better corporate governance practices in India, the Ministry of Company Affairs has set up the National Foundation for Corporate Governance (NFCG) in partnership with the Confederation of Indian Industry (CII), Institute of Company Secretaries of India (ICSI) and Institute of Chartered Accountants of India (ICAI).	Promoting corporate governance, which is a subset of CSR activities. <i>Reference: http://www.nfcgindia.org/home.html</i>
Ministry of Corporate Affairs	Responsible for administering the 1956 Company Act and the 2002 Competition Act.	Promoting and applying rules and regulations concerning the functioning of the corporate sector. <i>Reference: http://www.mca.gov.in/</i>

¹¹ <http://www.ethicalcorp.com/content.asp?ContentID=5132>

CSR Public Policy: Nonstate actors

Key drivers in shaping CSR public policy are progressive domestic big businesses and their foundations, MNCs, business associations, some NGOs and, to a lesser extent, trade unions.

Three groups of Indian businesses are relevant: those with strong international shareholdings, those coming from the old public sector and now privatizing and the new generation of knowledge-based enterprises. Examples of the first group are *Hero Honda*, *HLL (Hindustan Lever Ltd)*, *ITC* and *Maruti Udyog*. Examples of the second group are *BHEL (Bharat Heavy Electricals Ltd)*, *HDFC (Housing Development Finance Corporation)*, *NTPC (National Thermal Power Corporation)* and *ONGC (Oil and Natural Gas Corporation)*.¹² The concept of CSR as based on philanthropic tradition dominates within the first two groups. A more Western-oriented view of CSR (as a business case) has been taken on by the most important foundations of the new, third generation of corporations. These include the *Infosys Foundation*, *Wipro Foundation*, *Dr. Reddy Labs*, *GMR Foundation*, *Times Foundation* and *Ranbaxy Foundation*. Each of these is highly concerned with promoting equitable growth through education and training, as well as with the positive effects of corporations on society, rather than minimizing damage.

A key driver in CSR development is the business association *CII (Confederation of Indian Industry)*. *CII* is a non-

governmental, not-for-profit, industry-led and industry-managed organization, providing a platform for sectoral consensus building and networking. It places major emphasis on projecting a positive image of business by assisting industry to identify and execute corporate citizenship programs. The *CII* mission statement focuses on “Competitiveness for sustainable and inclusive growth.”

A CSR center is being planned, aimed at bringing together various initiatives that are already in place and that are enabled and communicated by *CII*.¹³

NGOs are particularly active in the area of environmental protection, whereas the influence of trade unions on CSR has been mostly limited to workers’ rights and privileges. Nongovernmental civil society actors play an important role as India has approximately a 30-year history of nonstate actors forcing the public sector, after considerable struggle, to respect and promote social responsibility. Among the first of these was the *Consumer Education & Research Centre*, a private NGO which works to promote consumer protection. While the role of trade unions is limited to promoting safe working conditions, a large number of NGOs has sprung up in various parts of the country addressing a range of issues in the area of corporate responsibility, largely those to which the central, state and provincial governments have responded only to a limited degree. In light of pressure from national and international NGOs, moreover, there has been continuous improvement in certain areas relating to the environment.

Selected CSR Nonstate Actors		
Business		
Name	Description	Main Responsibilities/Activities
Confederation of Indian Industry (CII)	CII is a nongovernmental, not-for-profit, industry-led and industry-managed organization, playing a proactive role in India’s development process.	CII provides a platform for sectoral consensus building and networking. Major emphasis is laid on projecting a positive image of business by assisting industry in identifying and executing corporate citizenship programs. The CII mission statement focuses on the theme of “Competitiveness for sustainable and inclusive growth” and “reflects the confederation’s commitment to balanced development that encompasses all sectors of the economy and all sections of society, at all levels – global, national, regional, state and zonal.” <i>Reference:</i> http://www.ciionline.org/AboutCII/44/default.html

¹² http://www.terieurope.org/docs/csr_state.pdf

¹³ <http://www.ciionline.org/Northern/regionalfocus/277/defaultb28d.html?Page=Terms%20of%20Reference.htm>

Global Compact	Active in India since 2001	Adoption of the global compact by 124 private and public sector businesses <i>References:</i> http://www.unglobalcompact.org/NetworksAroundTheWorld/country_contact/india.html http://www.globalcompactindia.org/
Civil Society		
Consumer Education and Research Centre	CERC is a nonprofit, non-governmental body, dedicated to the protection and promotion of consumer interests through active use of research, media, law, advocacy and information dissemination.	CERC goals: ensuring consumer safety through education, research and awareness campaigns; establishing accountability and transparency of business and industry, including utility services and the public sector; protecting the environment. <i>Reference:</i> http://www.cercindia.org/

CSR Public Policy: Instruments and Activities

a. Mandatory Framework

Several laws are in place that deal with CSR-relevant issues, although difficulties are posed by the lack of a general enabling environment and by problems in implementation. The main areas in which CSR public policy is formulated are the environment, labor standards and corruption. International conventions have therefore so far provided the main impetus for CSR-related policy in the area of labor. Here, the ILO is of particular importance, providing guidelines for labor laws, including those covering child labor and collective bargaining and dispute settlement.¹⁴

With the legacy of the English legal system, India has one of the world's best corporate governance laws, but poor implementation together with the socialistic policies of the pre-reform era have affected corporate governance (Chakrabarti, 2005). India thus falls far short of international standards in corporate governance (cf. Khanna / Palepu, 2001).¹⁵ Since liberalization, however, serious efforts have been directed at overhauling the system, with the *SEBI (Securities and Exchange Board of India)* instituting clause 49 of the listing agreements, which deals with corporate governance. Corporate governance of Indian banks is also undergoing a process of change,

with a move towards more market-based governance. A few tentative developments in the area of socially responsible investing (SRI) also exist, apart from activities designed to incorporate environmental, social and governance (ESG) factors into investment decisions by major foreign institutional investors (FII). At the level of policymaking, the focus is mainly on laws for foreign direct investment (FDI), guidelines for FDI and laws for public procurement.¹⁶ All of these are concerned almost entirely with the prevention of the pervasive problem of corruption, e.g. through pricing distortions. Thus, SRI is in its nascent stage in India but is increasingly receiving much coverage, with both investors and the government agreeing on its importance for the country's future economic development.¹⁷

In terms of environmental issues, the establishment of major new facilities or the expansion of existing ones now requires a professional environmental impact assessment (EIA). NGOs study these EIAs to ensure that they are properly conducted, and they participate in the mandatory public hearings. Legal requirements therefore also cover stakeholder activities. Apart from the requirements to consult shareholders in investment-related decisions, the most important legal requirement is the holding of a public hearing during major plant establishment or expansion as part of the EIA process.

¹⁴ India is a founding member of the ILO (since 1919). References: <http://www.jnu.ac.in/Huriter/treaties.doc>
<http://www.ficci.com/press/141/URGE.doc>

¹⁵ <http://hbswk.hbs.edu/item/2658.html>

¹⁶ http://dipp.nic.in/manual/manual_0403.pdf
<http://dipp.nic.in/inindia/invind.htm>
<http://kar.nic.in/finance/trans/tranall.pdf>

¹⁷ <http://www.indiaprwire.com/pressrelease/financial-services/200705253008.htm>
<http://www.csr-asia.com/index.php?p=10018>

b. Soft Law

Important International CSR Instruments		
Name	Date	Description and Reference
OECD Guidelines for Multinational Enterprises	Revision 2000	Guidelines, setting out recommendations for good corporate behavior. Reference: http://www.oecd.org
United Nations Anti-Corruption Initiatives	2005	Criminalization of acts of corruption, ensuring international cooperation, asset recovery. Reference: http://www.unodc.org/unodc/crime_signatures_corruption.html#/

The government does not engage in the development of national voluntary codes of conduct or regulation. The most important exception to this is the *Press Council*¹⁸ and the *Bar Council*¹⁹, relating respectively to the self-regulation of the press and to standards of professional conduct and etiquette and standards of legal education. The *Press Council* promotes both responsible journalism and training, and has the reputation for having preserved and fostered India's well-known quality and freedom among print media. The *Bar Council* also promotes the training of underprivileged lawyers, in addition to playing a role in legal reform.

c. Initiatives and Partnerships

Two dialogue forums are directly relevant to CSR policy development. One is the *Coordination Committee to Promote Affirmative Action in the Indian Industry* (since 2006). The second is the *India Partnership Forum*, a forum for multi-stakeholder dialogue to promote CSR.

Regarding the *Coordination Committee to Promote Affirmative Action in the Indian Industry*, it comprises the relevant government ministry offices (mainly the *Industry of Commerce and Industry*), the presidents of *CII* and *ASSOCHAM* (*Associated Chambers of Commerce and Industry of India*), *FICCI* (*Federation of Indian Chambers of Commerce and Industry*), as well as senior representatives of industry. The aim of the partnership is to finalize a Code of Conduct on Affirmative Action, which has so far been done by *CII* and *ASSOCHAM*, to set up an ombudsman with regional benches to monitor the compliance of the voluntary code of conduct by its members, and to intensify their efforts in developing the skills sets of Scheduled Caste and Scheduled Tribe

(SC/ST) persons. The members of the committee are already participating in a public-private partnership launched by the *Union Ministry of Labor and Employment* to adopt 300 industrial training institutes during the current year and develop them as centers of excellence. Another element of affirmative action agreed to by industry was a commitment to developing entrepreneurial abilities among SC/ST persons. There is also general agreement that there should be positive discrimination in employment in favor of SC/ST persons, i.e., other things being equal, SC/ST candidates would be given preference in employment. This approach, according to industry representatives, should result in a sizeable increase in employment of these persons within organized industry.

The *India Partnership Forum (IPF)*, a joint initiative of *UNDP India* and *CII*, has the backing of the Indian government, which is also involved in this multi-stakeholder dialogue forum. *IPF* has a more CSR-focused brief and addresses issues other than affirmative action, its areas of interest being the adoption and operationalization of a social code for business, the formulation of CSR, providing support to public policy measures on CSR, ensuring the mainstreaming of CSR education in business schools, capacity building for community development, capacity building for sustainable reporting processes and indices, building a CSR knowledge base, initiating thematic partnerships under the UNDP CP and providing communication and advocacy on CSR.²⁰

18 <http://presscouncil.nic.in/home.htm>

19 <http://barcouncilofindia.nic.in/disk1/functions.htm>

20 http://www.ipfindia.org/aims_objectives.htm/

d. Incentives

Corporate philanthropy is facilitated through tax incentives. There are also awards by the *Income Tax Department* for good compliance.

e. Awareness

Raising awareness of CSR takes place mainly through public praise and award ceremonies. At the top bureaucratic and political levels, private sector CSR award ceremonies and conferences receive patronage.

Although there is no systematic public sector activity to encourage companies to incorporate CSR into their core business, incentives to raise CSR awareness are also provided by encouraging labeling programs by the public sector and by cooperating with business to endorse pro-CSR production and consumption. Examples of labeling programs are the Food Products Order and the Agmark Scheme. Similarly, ISO 14000 & 9000 certification is also encouraged, with subsidies given to small enterprises for such efforts.

Other tentative signs of the desire to take CSR activities seriously can be seen in developments in the area of education. For example, the *All India Council for Technical Education* has added CSR to the curriculum of some business schools.

■ CSR Public Policy Maturity

India's public policy maturity may be considered to be in the first generation and moving towards the second generation, i.e. displaying few coherent activities. CSR is addressed by the government as part of social and environmental sustainability strategies, and there is some indication of public endorsement by government officials. The range of instruments, however, is highly limited. CSR public policymaking is hampered by the lack of a visible contact point within the government, by the lack of coordination points, by few indications of effective communication and awareness raising and by the lack of visible evaluation of CSR activities on the part of the government. So far, the issue remains firmly in the hands of India's publicly owned firms and private businesses, both of which prefer approaches based on strategic philanthropy.

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Mozambique¹

Public Policy Rationales

- Address gaps in government capacity
- Address challenges to socio-economic integration

Public Policy Activities

- Partnering : Public-private partnerships (PPPs) at state and local level
- Incentives: Tax exemptions for companies donating money to social and cultural causes

Public Policy Actors

- Ministry for Women and Social Action (MMAS)
- Ministry of Education and Culture (MEC)

CSR-Relevant Context Factors

-  Low levels of economic growth, but high potential for energy production
-  Incomplete and fragile post-war democracy; problems of petty and grand corruption; low level of government capacities
-  High level of poverty and inequalities
-  Nonconsultative methods of political and economic leadership; lack of cross-sector collaboration between private and public actors



■ Executive Summary

Profiling CSR

The Republic of Mozambique was founded in 1975, after the collapse of Portuguese colonial rule in 1974. The first decade after independence was characterized by civil war, tensions with neighboring countries and economic collapse. Weak infrastructure, nationalization and the loss of governmental control of rural Mozambique created long-standing problems for the country's development. However, after nearly three decades of civil war ended in 1992, the country held its first democratic elections in 1994. It now has a multiparty, presidential system of democracy. Since 1994, the country has made big strides in economic reforms and is a magnet for foreign investment in Africa, especially in respect to the energy sector. While the country's recovery from war and reconstruction is recognized by many as a success, major challenges remain, including widespread corruption and excessive bureaucracy. The most critical issues

in Mozambican society today are poverty as well as social and economic inequalities, and the threat of endemic HIV/AIDS.

The country's history has produced a closed and non-consultative governance culture, both at the level of the formal state and at the level of local structures of governance. Political and economic elites are the key decision makers, with very little input by civil society, which is in the early stages of development. The country's population is evenly distributed between those who adhere to traditional customs and those who follow mainstream religions, mainly Christianity and Islam.

There is an emerging view in Mozambique that CSR is of relevance, mainly influenced by the activities of transnational corporations (TNCs) doing business in the country. In addition, CSR awareness has been triggered by other global dynamics such as increasing communication activities by the United Nations (UN) as well as by multilateral and bilateral donors. However, the country is still in a very early phase of dealing with the con-

¹ Authors of this country profile are Brigitte Hamm and Alexander Kocks, Institute for Development and Peace, University of Duisburg-Essen. It is partly drawn from a draft desk study report on corporate social responsibility in Mozambique provided by KPMG for the Regional Learning Forum Sub-Saharan Africa of the United Nations Global Compact.

cept and identifying how to apply CSR. It is important to consider CSR in Mozambique as a gradual learning process of what a sustainable orientation towards CSR involves. The main public sector actors on CSR-related issues are the *Ministry for Women and Social Action*, and to a lesser extent, the *Ministry of Education and Culture*.

Based on the country's severe socioeconomic problems, one of the main CSR rationales in Mozambique can be described as filling gaps in government capacities. Companies' CSR-activities in Mozambique help with the provision of public goods at the local and national level. The private sector thus contributes significantly to the country's development, based on existing national and local forms of community support and philanthropic activities.

Navigating CSR

There is no specific legislation or regulatory process for CSR in Mozambique. Nevertheless, the country took a great step towards promoting and incentivizing CSR-related activities by passing a law that allows tax exemptions for companies donating money to social and cultural initiatives. There are also some public-private partnerships (PPPs) aimed at promoting education and community infrastructure. The relatively low number of CSR activities in Mozambique results from the fact that such activities are mainly limited to large companies, above all foreign investors and a few partly state-owned companies. In respect to state-owned companies, CSR

activities are mainly related to social policies. Apart from some ad hoc legislative and non-regulatory activities, public policy in the area of CSR is minimal. Because of its nascent stage, CSR in Mozambique cannot be accurately assessed, being at the very beginning of the first generation of public policy.

In general, public institutions and their regulatory capacity concerning the implementation of laws are rather weak. Hence, compliance with even basic laws can be described as being voluntary. Investing in institutions through capacity building and dealing with the issue of corruption within the state administration would provide a stronger enabling environment for responsible business activities. Moreover, the government, which is the biggest employer in Mozambique, ought to take a more active role in CSR by adopting CSR practices in state-owned companies and by motivating the corporate sector to do the same. Since the dissemination of CSR issues and initiatives such as the UN Global Compact has not yet been far-reaching, media coverage could be increased to gain a wider audience and membership from a wider spectrum of actors.

CSR Public Policy Maturity Level

Assessment is not possible;
CSR is in the nascent stage

- Almost no engagement in respect to competency, strategy development, existence of coordination point, integration of stakeholders, communication, awareness and evaluation
- Some application of CSR-related policies, with CSR activities related to PPPs and the incentivizing of social investment

CSR Recommendations

- Development of the notion of CSR based on local and national traditions of philanthropy
- Development of a first-generation CSR strategy by the government, involving communication, integration of stakeholders, creation of a coordination point and awareness raising



■ CRS-Relevant Context

Political, Social and Economic System

After its independence from Portugal's colonial regime in 1975, Mozambique fell into a long and devastating civil war that lasted for nearly three decades. It was only in 1992 that a peace accord was signed between the conflicting parties, leading to free and democratic elections in 1994 with voter turnout of over 80 percent. Since then, the country has been facing major challenges as it rebuilds its society and economy.²

Mozambique is a multiparty democracy under its constitution of 1990. The government consists of an executive branch that comprises the president, the prime minister and the ministers. There is a National Assembly and municipal assemblies. The judiciary branch comprises the Supreme

Court, as well as provincial, district and municipal courts. Despite more than a decade of peace, an expanding economy and the reputation as a role model for war-to-peace transition, Mozambique's democracy remains incomplete and fragile. Major challenges at the political level are to strengthen democratic institutions in the context of economic liberalization and to unite the nation after years of civil war. Enforcing the rule of law remains a further challenge. Police conduct, for example, is rarely consistent with existing legal standards, nor is it adequately accountable, accessible, impartial or transparent.

From a socialist economic orientation adopted at the time of the country's independence in 1975 to a market-led economy today, Mozambique's socioeconomic landscape has undergone major changes. The story of reconstruction and recovery is recognized by many as a success. But challenges in respect to socioeconomic development abound. The most critical issues are poverty, especially endemic rural poverty; economic inequality; unemployment and illiteracy, especially among women and in rural areas; low levels of capacity compounded by food insecurity; a high vulnerability to natural disasters, particularly drought, cyclones and floods; and the growing threat of HIV/AIDS. Considered to be one of the poorest

countries in the world, over 60 percent of Mozambique's population lives below the poverty line, with high regional imbalances in this respect.

To address these problems, an ambitious, comprehensive and detailed government strategy was developed in 2000, namely the Action Plan for Reduction of Absolute Poverty 2000-2004 (PARPA), whose aim is to reduce the poverty rate to 50 percent by 2010. However, a policy analysis has revealed that the government is behind in meeting its targets (Bertelsmann Stiftung 2006: 10).

There is an estimated labor force of 10.192 million³ (2004), of which 81 percent work in the agricultural sector.⁴ The latter is characterized by very low productivity levels, mainly due to the lack of modern inputs and technology. As a result, agricultural production is at subsistence level. In urban areas, employment within Mozambique's industrial sector amounts to only about 6 percent of the total labor force. Accounting for approximately 48 percent of GDP, the service, or tertiary sector, is the most valuable area of economic activity in the Mozambican economy. Approximately 13 percent of the labor force is engaged in the service sector.⁵ However, this figure does not take into consideration people who work in the informal sector, who, according to the 2004 Informal Sector Survey (INFOR), make up about 75 percent of the total work force.⁶ There are no reliable updated figures on unemployment or underemployment; however, in 1997 unemployment was estimated to be approximately 21 percent.⁷ Supposedly up to 1 million Mozambicans are working legally and illegally as migrant workers in the South African mining industry.

The national private sector is still incipient and struggling to emerge. Limited access to capital for investments and operations, inefficient production systems and a limited infrastructure are critical factors influencing the productivity and profitability of doing business in Mozambique. Regardless of such restrictions, the country has one of southern Africa's greatest resources for energy production, and the energy sector has the potential to become a major source of economic growth by generating foreign exchange earnings and tax revenues. However, this potential is yet to be realized, with several large private gas and electricity export projects under consideration. The government seems to be committed

2 Mozambique country profile available at: http://www.uneca.org/aisi/NICI/country_profiles/Mozambique/mozamab.htm

3 Instituto Nacional de Estatística (2006). Inquérito Integrado a Força de Trabalho (IFTRAB) 2004/2005, Maputo, Mozambique.

4 Instituto Nacional de Estatística (2006). Inquérito ao Sector Informal 2004, Maputo, Mozambique.

5 <https://www.cia.gov/library/publications/the-world-factbook/geos/mz.html#People>

6 See also National Economies Encyclopedia, Mozambique Working Conditions.

Available at <http://www.nationsencyclopedia.com/economies/Africa/Mozambique-WORKING-CONDITIONS.html>

7 <https://www.cia.gov/library/publications/the-world-factbook/geos/mz.html#People>

to facilitating the access of businesses and households to energy and water through increased reliance on the private sector in providing services. To what extent this may cause problems and conflicts in respect to the equal distribution of these basic goods must be left open here.

Under the colonial regime, education opportunities for black Mozambicans were limited, and 93 percent of that part of the population was illiterate. After independence, the government placed a high priority on expanding education, which reduced the illiteracy rate to about two-thirds as primary school enrolment increased. However, school construction and teacher training could not keep up with population growth. Moreover, school enrollment primarily refers to the very first stage of education, and public spending for education fell between 2001 and 2003 (Bertelsmann Stiftung 2006: 2). The 2004/2005 Labour Force Survey (IFTRAB) shows that still 52 percent of the population is not literate. Apart from education, HIV/AIDS is another major problem the country faces. The disease has reached endemic levels, rising from 3.3 percent in 1992 to 14.8 percent in 2004, and projections indicate further prevalence, with an estimated 16.3 percent rate of infection among adults (15-49) in 2010.⁸

Mozambique's society is complex and there is no clear separation between the formal and the informal, the rural and the urban, the modern and the traditional, those inside and outside the "state system." An estimat-

ed 60 percent of the population lives according to traditional norms and structures, with little notion of the state, formal laws and their rights. Governance is often in the hands of indigenous or nonstate leaders and structures that exist in many areas. These leaders have legitimacy in that their position and their powers are accepted by the local communities, and there is a degree of formality, structure and division of responsibilities. They have important functions in the distribution of resources (especially land), the resolution of conflicts and, in some cases, even the levying of "taxes." Civil society is in its very beginnings, with weak traditions of consultation and integration of nonstate and nonelite actors leading to an inhibiting framework for development.⁹

Relationship Between Economy, Society and Government

The transition from a centrally planned to a liberal market economy has not proceeded without ruptures. In 1984, the government of Mozambique joined the International Monetary Fund (IMF) and the World Bank, thereby embarking on a radical reform of the state economic and fiscal planning. A Structural Adjustment Program was implemented in 1987. A centrally managed economy was replaced by a liberal, market-driven economy, and the country opened up to foreign investment. The reforms imposed strict financial discipline on government spending, caused the economy to depend more

Facts and Figures

GDP annual growth rate	8.2% (2004 est.)
GDP per capita (purchasing power parity)	\$1,200 (2004 est.)
Inflation rate (consumer prices)	9.4% (2006)
Import of goods and services	\$2.82 billion f.o.b. (2006 est.)
Export of goods and services	\$2.43 billion f.o.b. (2006 est.)
External debt	\$966 million (2002 est.)
Economic aid – recipient	\$632.8 million (2001)
Gini Index	39.6 (1996-97)
Gender Equity Index	65 (2007)
Population living below the national poverty line	70% (2001 est.)
BTI Management Index	5.00 (2007), rank 63

8 Instituto Nacional de Estatística, 2006. Inquérito Integrado a Força de Trabalho (IFTRAB) 2004/2005, Maputo, Moçambique.

9 http://www.norad.no/default.asp?V_ITEM_ID=1137

on market forces, thereby diminishing the role of the public sector in economic activities and allowing it to concentrate on social issues. However, the process of the privatization of former state-owned big companies reinforced existing neo-patrimonial state structures, with elites using their privileged position to take personal advantage of this process (Bertelsmann Stiftung 2006: 12). The transformation of the economy since the mid-1980s has been accompanied by a dialogue between business and the government, but this has remained vague and sporadic. (Bertelsmann Stiftung 2006: 15).

The last two decades have witnessed radical changes in the relationship between the private sector, the state and civil society. Globalization, deregulation and privatization have induced the private sector to increase its contributions to public good provision. Meanwhile, the relationship between companies and civil society seems to be moving from paternalistic philanthropy to a reexamination of the roles, rights and responsibilities of the business community within society. However, concrete cross-sector collaboration among public and private actors remains limited. One reason for this may be a persistent lack of trust in the government and state institutions, partly due to petty corruption among public actors (Bertelsmann Stiftung 2006: 8).

Development of CSR Public Policy

Especially since the early 1990s, the country has experienced a steady growth of the private sector, comprising small local enterprises and foreign investment. This growth was spurred by changes made to the constitution, which reflected the need for an environment that would enable the development of the country's private sector. In the context of structural adjustment and liberalization, CSR has gained in importance. Main drivers, however, come from outside, namely TNCs, multilateral and bilateral donors and transnational networks such as the Global Compact. In addition, big national companies, e.g. those active in the service sector, are dominating the CSR agenda for reasons of national prestige.

CSR Policy Rationale

After decades of socialism accompanied by a paternalistic understanding of governmental responsibilities, the

country has experienced a challenging transition to democracy and economic liberalization. Today, the state's performance is still deficient and, thus, the government welcomes the engagement of large national and transnational companies in the area of CSR. Hence, one of the main CSR rationales in Mozambique is filling gaps in government capacities. In addition to companies' CSR activities helping to provide public goods at the local and national level, the private sector makes an important contribution to the country's socioeconomic development, based on existing national and local forms of community support and philanthropic activities.

■ CSR Situation

3.1 CSR Public Policy: Understanding, Strategy

In Mozambique, the private sector – especially TNCs operating in the country – is the main actor in the area of CSR. However, the government is beginning to recognize CSR as a relevant concept, an emerging view that has to be understood against the background of the country's political and economic transition. This impact of CSR is mainly a result of the activities of donor organizations. With Mozambique being one of the most donor-dependent countries worldwide (Bertelsmann Stiftung 2006: 15), the emerging interest in CSR is a reaction to international demands made by bilateral and multilateral donors. It can therefore be argued that not only has the country's liberalization process been triggered from the outside, so has the focus on CSR.

There is no information available on whether the Mozambican government has defined CSR in order to develop a clear strategy on the topic. CSR in Mozambique is still in its infancy. Currently it mainly takes the form of corporate philanthropy, on the one hand, and the provision of goods and services for employees and their families, on the other. These services mainly relate to health, access to water, education, scholarships and loans.

CSR Public Policy: State Actors

CSR is not yet a topic of major concern to the Mozambican government. Incorporation of CSR initiatives into the state agenda is still minimal, and it is dealt with only marginally. An important step towards CSR promotion,

Selected CSR State Actors		
Name	Description	Main Responsibilities/Activities
Ministry for Women and Social Action (MMAS)	Responsibility for the country's social affairs.	Promotes programs for the advancement of women and gender equality. Since 2000 another role has been to promote CSR and to ensure that the government's approach to CSR is taken into account. Coordinates CSR activities across all government agencies. <i>No URL available.</i>
Ministry of Education and Culture (MEC)		Responsible for the nationwide project A Look for Hope, which is part of the government's efforts to improve the quality of education. Partly the project relies on private sector contributions through PPPs. http://www.mec.gov.mz/

however, was made in 2000, when explicit responsibility for CSR was ascribed to the *Ministry for Women and Social Action (MMAS)*. Here, the ministry's key role is to promote corporate citizenship, provide political leadership on relevant key issues and ensure that government's approach to corporate citizenship is taken into account. Furthermore, *MMAS* has the role of coordinating corporate citizenship activities across all government agencies at central and decentralized levels. While the responsibility for CSR has indeed been institutionalized, it must be noted that the ministry lacks the required resources, authority and profile to lift the understanding of corporate citizenship in Mozambique above its current narrow focus on corporate philanthropy and employee welfare.

CSR Public Policy: Nonstate Actors

Private sector CSR activities are still relatively weak and predominantly involve large national and transnational companies that have adopted a formal CSR agenda ensuring healthy working conditions and livable communities. About two decades ago, state-owned companies were the largest corporate players in Mozambique. Since 1990, the government adopted privatization policies and a large part of these state-owned companies did not survive or had to reduce their activities to a minimum level. Companies providing key social services such as power supply, telecommunications and transport, however, maintained their monopoly and were able to expand their activities. The notion of social responsibility in these companies has generally been driven by a sense of national prestige. As state-owned companies, they

feel compelled to make contributions, particularly following large national disasters. They also provide kindergartens and school facilities for workers' children and support fundraising activities through arts exhibitions or sports. Social investments of these companies do not entail specific strategies or policies, as they usually are driven by the commitment shown by individual managers. Even though some sort of marketing and image-protection activities take place, they are not part of a sustained CSR strategy.

Large foreign investors play an important role in CSR in Mozambique due to their corporate culture and commitment to social investment. These include the *Mitsubishi Corporation*, *Coca-Cola*, *Colgate-Palmolive*, *British Petroleum Mozambique* and *Sasol*. Although some of these companies are registered under Mozambican law, foreign investors hold the largest stake in them, usually being the major providers of financial and technical resources. Most of them have specific social investment policies, which are typically part of their marketing and image protection. These foreign investors have considerable wealth when compared to the extreme poverty of many African countries. This has attracted widespread resentment among local people, which is considered to have a negative impact on the image of these companies. Concerned businesses have thus established public relations and/or marketing departments to deal with such negative effects, leading them to sponsor social investment projects. For example, they help construct community schools and health centers, provide technical assistance for skills development (especially for SMEs) and donate during national disaster-relief operations.

One example is the *Mitsubishi Corporation*, which has provided financial support for two water and sanitation projects in Mozambique in 2003 and 2004.¹⁰ The company allocated the resources through its *Mitsubishi Corporation Fund for Europe and Africa (MCFEA)*, which was established in 1992 to promote conservation, education, environmental research and poverty alleviation (Mitsubishi Corporation 2006: 42). Apart from that, Mitsubishi is one of the main shareholders of *Mozal S.A.R.L.*, an aluminum smelting joint venture launched in 1998. This business originally was initiated by the Mozambican government, reflecting its desire to attract foreign investment to help rebuild the nation after civil war.¹¹ In recent years *Mozal S.A.R.L.* has implemented several environmental initiatives within its business operations, mainly aimed at the reduction of greenhouse gas emissions and wastewater treatment. Moreover, in August 2000, the *Mozal Community Development Trust (MCDT)* was launched for the purpose of making social contributions to local communities (Mitsubishi Corporation 2006: 11).¹²

TNCs as well as large national companies have established business-led associations and forums with a clear CSR focus. Among them is the *Fórum Empresarial para o Meio Ambiente (FEMA)*, established in 1996, which represents the private sector and its interest in the environment. Currently, the forum has 36 members. Officially, *FEMA* focuses on awareness raising for environmental issues through information dissemination as well as on the support of investments. Among other activities, it provides technical assistance that facilitates and promotes environmentally health investments designed to reduce pollution and improve natural resource management. *FEMA's* activities largely deal with developing a program to implement the Systems of Environmental Management (SGA), based on ISO 14000, and training measures in six sectors, namely services, mining, food and beverages, agriculture, petro- and agrochemicals, and tourism.

The *Sofala Commercial and Industrial Association (Associação Comercial e Industrial de Sofala, ACIS)* is a nonprofit association created with the aim of promoting investment and development in the Sofala province. The association facilitates links between the government and the private sector in order to improve commercial and industrial development in the province. *ACIS* is

involved in a number of activities on a day-to-day basis, on behalf of both existing members and potential investors. The association is currently piloting a program to combat the threat of HIV/AIDS to employees in member companies. Furthermore, *ACIS* worked together with the *Center for International Private Enterprise* on developing an anticorruption toolkit aimed at combating business participation in corrupt practices in Mozambique, and has published a code of principles promoting good corporate governance which is meant to be signed by *ACIS* members.¹³ The association is also involved in advocacy for legislative change and reform to address corruption at national as well as provincial levels.

The *Entrepreneurs Association Against AIDS (ECoSIDA)*, founded in 2005, is a private sector initiative comprising 23 business organizations.¹⁴ One of its major efforts is combating HIV/AIDS in the workplace, through the formation of facilitators that, in turn, will disseminate and increase responses to problems stemming from the disease. This new initiative is still in its early stages. However, the entrepreneurs view this initiative as a way for increasing sustainability in the private sector and promoting economic development in Mozambique. The organization has formed a partnership with the *National AIDS Council (CNCS)*.

While such initiatives have mainly been implemented by larger investors, local small and mid-sized companies (SMEs) are rarely involved in CSR initiatives. Generally owned by one person or partnerships of two to three individuals, company activities are usually not driven by broad policies, strategies or procedures, but by personal leadership on the part of the company's owner. Social investments are seldom a matter of concern for these companies since owners or/and managers tend to be absorbed with daily survival. These companies are always faced with hardships in the market and are often on the verge of bankruptcy. For such companies, CSR is at an introductory stage, and for many of them philanthropy is their main point of reference. Their social participation in community life comprises individual donations, occasional contributions during national disasters and occasional support for fundraising activities through sponsorship of sports or art exhibitions, often without a long-term commitment.

¹⁰ The projects were implemented by WaterAid, an international NGO dedicated to the provision of safe domestic water, sanitation and hygiene education to communities in developing countries, see <http://www.wateraid.org/uk/>

¹¹ For more information see <http://www.mozal.com/>

¹² MCDT will be described in greater detail below.

¹³ For the Code of Business principles see <http://www.acisofala.com/cobp.htm>

¹⁴ Cf. <http://allafrica.com/stories/200708131349.html>

Trade unions have contributed to increasing awareness of social standards in Mozambique. They have been active in demanding socially responsible policies from the corporate sector, although this seldom is under the label of CSR. Forms of pressure have typically included strikes to demand higher salaries, more social benefits and better working conditions. Trade unions strive for joint agreements, rules that define the relationship between companies and workers, and access to training and career development. However, the role of unions is restricted to employees' issues and does not extend to other concerns such as the environment. In addition, incentives for business to pay decent wages or invest in reasonable working conditions remain limited, due to a strong informal sector, high rates of unemployment, weak public enforcement of legislation, weak civil society and media presence.

Civil society and other nongovernmental players are expanding their sphere of influence rapidly, although they are not part of formal and institutionalized decision-making at the state level. Ranging from small, community-based to nationwide organizations, they cover areas such as community development, relief assistance during natural disasters, resettlement of refugees or displaced people, assistance to victims of civil war and violence. Limited technical and analytical capacities, the absence of a legal framework and an inhibiting cultural environment are some of the factors challenging the quality of civil society intervention in development and governance as well as in CSR issues. Indeed, there are very few – probably only a handful – established, well-functioning organizations with a clear mission and

vision, governance structures and appropriate resources, as well as monitoring and evaluation systems. They are mostly sponsored by high-profile public figures to attract financial resources and technical assistance. Examples of this type of NGO are the *Foundation for Community Development (FDC)*, *Ética Moçambique* and *Muleide*. Up to now, only few partnerships between the corporate sector and civil society organizations have evolved.

Transnational NGOs like *IUCN (The World Conservation Union)*, *Amnesty International*, *Oxfam* and others play a crucial role in fostering the CSR agenda in Mozambique. Their actions are mainly focused on capacity development for civil society organizations and on partnerships, some targeting the private sector (in the areas of environmental management, human rights standards and corruption).

International organizations play some role in the promotion of CSR as well. Established in June 2000 and officially launched in June 2001, the *UNIDO/UNEP National Cleaner Production Centres* act as a focal point in the dissemination of the Cleaner Production concept in Mozambique.¹⁵ These centers focus on industry processes, products and services, on the training of human resources, and industrial policymaking to ensure cleaner production and, thus, sustainable development. So far, the main activities have been audits in factories, a booklet, pre-audits, awareness-raising seminars and trainings. The main constraints, however, include the lack of monitoring, enforcement of legislation, guidelines and standards for green-funding programs, i.e. financial incentives for implementation of cleaner production and CSR policies.

Selected CSR Nonstate Actors

Businesses/Partnerships

Name	Short description	Main responsibilities/Activities
Fórum Empresarial para o Meio Ambiente (FEMA)	Forum of private actors representing business interests in respect to the environment	Promotes awareness on environmental issues within private sector organizations and investors in the country. Provides technical assistance that facilitates environmentally health investments to reduce pollution and improve natural resources management http://www.fema.org.mz/

¹⁵ See <http://www.uneptie.org/pc/cp/ncpc/home.htm>

Sofala Commercial and Industrial Association (ACIS)	Advocacy coalition of private actors, promoting investment and development in the Sofala province	Has launched a program aimed at combating business participation in corrupt practices in Mozambique and has published A Code of Principles promoting good corporate governance to be signed by ACIS members. http://www.acisofala.com/cobp.htm
Civil Society Actors/NGOs		
Foundation for Community Development (FDC)	Civic organization with no political affiliation	Brings together all sectors of society in achieving development, democracy and social justice. Among other activities, it started an initiative that led to a law (Law 4/94 of September 13, and revised by the decree 29/98 of July 9) allowing tax exemptions for companies that donate money to social and cultural development initiatives. http://www.fdc.org.mz/
International Actors		
UNIDO/UNEP National Cleaner Production Centres	Promotes cleaner production in Mozambique.	Focus on industry processes, products and services as well as training of human resources and industrial policymaking to ensure cleaner production. http://www.uneptie.org/pclcp/ncpc/home.htm

CSR Public Policy: Instruments and Activities

a. Mandatory Framework

So far, there is no specific legislation for CSR in Mozambique. In the environmental area, however, there has been considerable progress in developing a legal framework for regulating natural resource use and complying with international conventions (Environment Framework Law, Land Law, Law on Forestry and Wild Life, and Law on Water Resources). Mozambique has also introduced a National Environmental Management Program (NEMP), approved in 1995 and revised in 2003. One important CSR-relevant law, Law 4/94, revised in 1998, is the law allowing tax exemptions for companies that donate money to social and cultural development initiatives.

Moreover, as part of state efforts to promote the ILO Declaration on Fundamental Principles and Rights at Work, the government has taken measures to ratify the eight fundamental ILO conventions. The last three of these conventions were submitted to parliament for ratification in 2000. These conventions are the Forced Labour Convention of 1930 (No. 29), the Minimum Age Convention of 1973 (No. 138) and the Worst Forms of

Child Labour Convention of 1999 (No. 182). Part of the government's effort to enhance good labor relations is a new labor law, for which a proposed bill was brought to parliament in May 2007.

b. Initiatives and Partnerships

For very poor countries with a low level of socioeconomic development such as Mozambique, PPPs may be seen as especially relevant for promoting development processes. Though not explicitly focusing on CSR, three exemplary initiatives which take the form of PPPs are in any event CSR-related. One is a nationwide project called *Projecto Um Olhar de Esperança (Project A Look of Hope)*, covering public primary and secondary schools. The project is part of efforts by the *Ministry of Education and Culture (MEC)* to improve the quality of education by widening access, improving the learning-teaching process and expanding institutional capacity at the local level. The project supports the construction of schools and purchases of basic school materials. The private sector contributes by financing equipment and training materials and has identified areas to help *MEC* to extend educational opportunities to more children.

Another PPP is *MCDT*, mentioned above, which was launched by *Mozal S.A.R.L.* in 2000. It provides support

in a number of key areas: small business, education and training, health and environment, sports and culture, and community infrastructure. *MCDT* places a high priority on education and actively provides funds to build local schools and to support other initiatives. The topic of community health is being addressed through the construction of medical facilities for malaria prevention and the implementation of HIV-awareness education. *MCDT* also supports local economic activities through the promotion of local agriculture and the commercial sales of local crafts. *MCDT* has already funded about 200 projects and, since its establishment, has spent a total of \$13 million (Mitsubishi Corporation 2006: 11). It involves relevant stakeholders from all levels of government, NGOs, communities and the private sector, as well as Mozal employees.¹⁶

As an international initiative enhancing private sector engagement for internationally recognized standards,

the UN Global Compact was launched in Mozambique in June 2003. By March 2007, *Global Compact Mozambique* had 18 members, comprising 17 companies and 1 NGO. The main objectives and activities of the Mozambican network are to make the principles of the Global Compact part of the business management strategy of member companies and to facilitate cooperation between them through the promotion of partnerships in support of UN goals. In May 2006 a steering committee was established with members from the business sector, civil society, government and the United Nations Development Program (UNDP). The steering committee, which is elected on a yearly basis by the network, is vice-chaired by the government's *MMAS*. However, the Global Compact's 10 principles do not seem to have made a big impact at the government level up to now. Companies are not confronted with legislation or governance issues that make adherence to the Global Compact attractive.

Selected CSR Partnerships and Initiatives

National Level

Name	Date	Description and Reference
Project A Look of Hope	2000 (approx.)	Nationwide PPP aimed at covering public primary and secondary schools. The project is part of the Ministry of Education and Culture (MEC) effort to improve the quality of education by widening access, improving the learning-teaching process and expanding institutional capacity at the local level. It supports the construction of schools and the purchase of basic school materials. The private sector contributes by financing equipment and training materials and has identified areas to help MEC to extend educational opportunities to more school-aged children. http://www.pedmoc.virconn.com/index.asp?lang=en
Mozal Community Development Trust (MCDT)	2000	Launched by Mozal S.A.R.L., an aluminum smelting joint venture, for the purpose of making social contributions to local communities. It provides support in various areas such as small business, health and environment, and community infrastructure. MCDT places a high priority on education and actively provides funds to build local schools and to support other initiatives. MCDT has funded around 200 projects to date. http://hsecreport.bhpbilliton.com/2005/repository/socioEconomic/caseStudies/caseStudies38.asp

16 Cf. <http://hsecreport.bhpbilliton.com/2005/repository/socioEconomic/caseStudies/caseStudies38.asp>

International Level		
Name	Date	Description and Reference
UN Global Compact (Mozambique)	2003	Currently, 18 member organizations, comprising 17 companies and 1 NGO. The steering committee is vice-chaired by MMAS. http://www.unglobalcompact.org/NetworksAroundTheWorld/country_contact/mozambique.html
UNIDO/UNEP National Cleaner Production Centres	2000	The centers act as focal points in the dissemination of the Cleaner Production concept of UNIDO/UNEP. They focus on industry processes, products and services as well as training of human resources and industrial policymaking to ensure cleaner production, and thus sustainable development. http://www.uneptie.org/pc/cp/home.htm

c. Incentives

A major step towards promoting CSR in Mozambique was undertaken in 1994. Through an initiative started by FDC, the government of Mozambique passed a law (Law 4/94 of September 13, revised by Decree 29/98 of July 9) that allows tax exemptions for companies that donate money to social and cultural development initiatives. However, its impact remains limited since there have been few further clear regulations or mechanisms to facilitate the application of the law's intent. Hence, only very well-established organizations can benefit from it.

d. Awareness

A new initiative, still in its infancy, is *Moçambique in Acção (Mozambique in Action)*. This wide-ranging social project with a strong focus on public relations aims at stimulating an understanding that society can actively contribute to the individual citizens' growth and to the country's development. The initiative expects extensive financial contributions from the corporate sector.¹⁷

■ CSR Public Policy Maturity

The CSR profile presented here can neither definitively determine Mozambique's CSR public policy maturity level nor compare its CSR policies with those of other countries. Moreover, it must be borne in mind that existing CSR practices are not well documented and any available information is not sufficiently detailed. With

these caveats in mind, it can be said that Mozambique's CSR profile, although extremely weak, might well be taken as an example of how CSR begins to take shape and indeed develops under conditions of political instability, institutional weakness and the range of socio-economic problems that characterize a developing country.

As depicted above, CSR activities in Mozambique still are in the inception phase. Currently, the main drivers of CSR come from outside the country, namely TNCs and international donors. Nevertheless, CSR in Mozambique does not seem to be merely an imposition of obligations from outside; rather, it seems that many public and private sector activities are in a position to take up this issue from a domestic perspective. This is the case, first, based on the desire of the country's private sector for the state to deliver workable public policies, including tighter regulations and laws. This also means that the private sector increasingly looks to the state to provide leadership through the initial application of these policies in state-owned companies. Second, the development of domestic CSR policies is likely to be enhanced by the incorporation of existing national and local traditions of corporate philanthropy and other forms of social investment into CSR or CSR-related agendas, leading to a more localized application of international concepts and norms.

¹⁷ <http://www.maccoa.co.mz/home/index.php>

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Public Policy Rationales

- Build upon traditional values to mediate between philanthropic traditions and the modern economy
- Respond to external pressure by international actors (EU)

Public Policy Actors

- Ministry of Labor and Social Policy
- Intergovernmental CSR working group

Public Policy Activities

- Mandating: Legislation concerning public-private partnerships, NGOs and corporate governance
- Partnering: First steps towards formalized cooperation between societal actors

CSR-Relevant Context Factors

-  Increasing level of economic integration through EU membership, low level of trust in business actors
-  Stable democracy, problems of enforcement and corruption
-  Strong role of traditional actors, e.g. church and unions
-  Low level of cooperation between government and other actors



■ Executive Summary

Profiling CSR

Poland is a transforming economy and young democratic republic, which has been increasingly integrating into the global political and economic system since 1989. In spite of a national history marked by foreign dominance, Poland has preserved a strong national identity that has been greatly influenced by the Roman Catholic church and the country's trade unions. Having joined NATO in 1999 and the EU in 2004, Poland has been increasingly integrated into the Western system of states and can now be counted as a close ally of the US. International and supranational institutions like the World Bank, the UN or the Council of Europe are influential in Poland. Although the economy has been growing steadily reaching 5% growth last year, unemployment is one of the main problems in Poland. The democratic political system is widely accepted and is marked by the stable rule of law, a multiparty system, a free press and acceptance of international standards in all relevant policy areas. In spite of this successful transition, parts of society are

disappointed with the results of democratization and economic reform.

CSR has just entered the political stage in the form of an *interministerial working group*, as public authorities are beginning to conceptualize CSR as a strategic economic and societal concept that goes beyond a personal, moral or religious approach. Apart from international actors like the World Bank and the EU, the *Ministry of Labor* deals with the issue on an informal basis. Up to now, no explicit CSR policy has been formulated, but due to the influence of EU membership and the politics of reform, legislation in the fields of labor law, corporate governance and NGOs can be regarded as preparatory to a more outspoken CSR policy. The tendency to legislate rather than to promote or partner derives from the traditionally strong role of the state in Poland and the lack of a cooperative civil society environment.

Currently, the rationales behind CSR activities in Poland are a mixture of traditional philanthropic motives and the strong impact of the EU and World Bank.

¹ Author of this country profile is Carolin Welzel, Bertelsmann Stiftung. She was advised by Boleslaw Rok, Business Ethics Centre LKAEM, Warsaw

Navigating CSR

At the moment, some CSR activities are evident in Poland, but the subject is not yet being treated officially in terms of policy and responsibility within the government. Some instruments closely related to CSR are in place, mostly connected to Corporate Governance, Public Private Partnerships and welfare. The government pursues a number of mandatory measures, including those designed to support partnerships and cooperation. Communication on CSR by the public sector is weak as is the integration of stakeholders into the nascent debate. If the work of the newly formed *CSR working group* bears fruit, Poland might head towards a second generation of CSR policymaking.

The use of CSR as a means to promote social dialogue and to build trust is a challenge and an opportunity at the same time. Skeptical attitudes among the Polish people towards the business community, an insecure work environment, political apathy and NGOs limited to traditional philanthropic welfare activities are among the issues that could be addressed by CSR. If public authorities find a way to raise the awareness of CSR's societal potential among the Roman Catholic church and the unions, the work of international bodies like the EU could be enhanced significantly. As a large and increasingly industrialized EU member, Poland clearly

needs to address the global economic level and promote dialogue and civil society organizations, while building upon its dominant, traditional set of values. By raising awareness of CSR among businesses, the general image of the business world could be improved. The integration of stakeholders into the currently purely governmental *CSR working group* would also help to lay a broader basis for CSR in Poland. At the same time, it would improve the relationship between the government, NGOs and the business sector.



CSR Public Policy Maturity Level

First to second generation:

- Some application of CSR-related instruments
- No strategy or explicit instruments in place yet, but under development
- No communication or evaluation
- Very few attempts to raise stakeholder awareness

CSR Recommendations

- Political ownership and strategy on CSR should be clarified/developed
- Promotion and implementation of international standards
- Integration of traditional actors
- Broad stakeholder integration by government and partnering projects on voluntary basis



■ CSR-Relevant Context

Political, Social and Economic System

The national history of the Republic of Poland has been one of ruptures. Centuries of Russian, Prussian, German and Austrian dominance were interrupted by only two periods of national self-determination, which lasted from 1807 to 1913 and 1918 to 1939. After the Second World War, Poland became part of the so-called Eastern Bloc.

The country was one of the first states under Soviet influence to begin the process of transition towards democracy and a market economy. Once it became a Soviet satellite state in 1945 and a member of the Warsaw Pact in 1955, societal unrest ensued, continuing throughout the 1980s. The formation of the Solidarnosc (Solidarity) trade union movement in 1980 and its ban from official politics in 1981 provided the foundation for an anti-communist movement. US influence and, later on, EU support were also factors leading to roundtable negotiations in 1989, which were followed by elections and the formation of the third Polish republic (Spiewak 2004: 7ff).

Having joined NATO in 1999 and the EU in 2004, Poland has been increasingly integrated into the Western system of states and can now be counted as a close ally of the US. International and supranational institutions like the World Bank, the UN or the Council of Europe are influential in Poland. The democratic political system is widely accepted and is marked by a stable rule of law, a multiparty system, a free press and acceptance of international standards in all relevant policy areas. In spite of this successful transition, parts of society are disappointed with the results of democratization and economic reform. This criticism is manifested by a falling electoral turnout, with only around 40 percent of the eligible population voting in the 2005 parliamentary elections. Although the EU has had great political and economic impact, most Poles cannot be considered active European citizens. At just over 20 percent, Poland had the lowest participation rate during the 2004 EU elections.

Despite the ruptures in its national history, the Polish parliament – the Sejm, one of the two elected chambers that form the national government – is one of the world's oldest parliaments and also existed in at least

symbolic form during the Soviet era. The other chamber, the Senate, has consulting and veto power in terms of legislation. Another long-lasting political element is the Polish constitution, which dates back the 14th century.

Poland is currently governed by a conservative majority. The twin brothers Lech and Jaroslaw Kaczyński serve as president and prime minister, respectively, both being members of the PIS (Law and Justice) party. The current government has been greeted with some skepticism internationally because of the nationalist undertones of many of the speeches given and publications released by PIS members during and after the electoral campaigns.

Next to the importance of a history characterized by foreign dominance, religion provides the moral underpinning for Polish society and is a defining factor for social and economic behavior. In surveys, usually only around 10 percent of Poles say they are not religious; in rural areas this figure is even lower. The importance of religion grew after 1990, given the long prior ban under the communist regime. Currently this aspect is being challenged by the transition process that is linking Poland to the global economy. There is criticism of the erosion of moral standards, and corruption is a problem to a certain degree. Polish society, however, is relatively equal, with a Gini coefficient of 34.1 and a Gender Equity rank of 72.

Since the market reforms began, the Polish economy has been growing continuously and, after a short period of stagnation, reached an annual growth rate of more than 5 percent in 2006. Poland's main trading partners are western EU member states and, as a new member of the EU, the country receives financial support from Brussels. Unemployment has been a severe problem in the past but the number of jobless is slowly dropping. According to official statistics, currently 15 percent of Polish workers are without jobs. Around 15 percent of the population still earns its living through farming, but agriculture as a share of GDP is declining continuously. A notable economic challenge will be stopping "brain drain" – especially among trained medical and scientific staff – which has resulted from much higher wages in other parts of the EU.

The rapid market reforms of the 1990s posed an economic as well as a political challenge for Polish society. As in all former Eastern Bloc states, before 1990 the

Facts and Figures		Source
GDP current US\$	303.2 (2006)	WB
GDP annual growth rate	5.3 (2006)	CIA CIA
Import of goods and services	101.5375 (2005)	OECD
Export of goods and services	89.3739 (2005)	OECD
Corruption Perception Index	3,7 (2006)	TI
Gini Index	34.1 (in 2002)	CIA
Gender Equity Index	72 (2006)	Social Watch
Public Health Expenditure of GDP	4.5%	UNDP
Public Education Expenditure	5,8 (2004)	UNDP
Members of population in Roman Catholic church	89.8% (75% practicing)(2006)	CIA

economy was state-owned and state-run. Since 1990, a total of 5,738 state-owned enterprises have been privatized. Privately owned businesses now account for more than 85 percent of industrial output.

Relationship Between Economy, Society and Government

Poland's path to democracy has been labeled "pacted" or "a negotiated transition" (Przeworski 1991:78), because it was based on roundtable talks that took place in early 1989 between various actors, mainly member of the political opposition, representatives of the Roman Catholic church and communist officials. These peaceful talks culminated in the "contractual" elections of 1989. (Cwiek-Karpowicz/Kaczynski 2006)

Since the former opposition was concentrated in Solidarnosc and the church - which had been oppressed during the communist era but was very active in shaping democratic Poland - ties today between the government, civil society, church and opposition are close at the highest levels. Political leaders like former President Lech Walesa used to be prominent figures in opposition. But these relationships and ties are those of elites. Polish civil society in general was not very active during the phase of transition after 1990, in contrast to 1980/81 when Solidarnosc was able to mobilize many citizens. After Solidarnosc was banned, the opposition partly emigrated and became scattered. Until now,

Polish society has only been home to nationally active NGOs to a limited extent compared to western Europe, although it must be said that the NGOs' impact, capacity and image are within the scope of that in other transforming countries. The political apathy and corruption noted above seem to derive from this lack of civil society impact and a generally low level of cooperation between actors at the subaltern level. Poland's elitist tendency leads to exchange among organizations only at the top level and hinders working-level agreements and cooperation (USAID 2006).

Economic progress in terms of privatization in Poland has been considerable, but "doing business" still has a pejorative connotation. The country's anticapitalist traditions and the negative side-effects of transformation, such as the transfer of financial assets to managers of state-owned companies in the 1990s, have, for many Poles, given capitalism a bad name (Lewicka-Strzalecka 2006). Generally, Polish society still expects the state to take sole responsibility for societal progress and has moral doubts concerning the private sector. Interaction between the corporate world and NGOs is scarce, and interaction between government and the business world is limited to official and elite exchanges at a fairly high level (Schoenman 2005: 40-75).

Development of CSR Public Policy

The rather weak nongovernmental sector in Poland and the sudden rush towards a market economy has created a situation where the call for government action in CSR-related areas such as labor policy, fighting corruption or consumer protection has become loud. The government, however, has been slow to react. Rather, the initiators of the Polish debate have been international organizations; the World Bank, for example, played an important role by publishing a report on CSR-related opportunities in Poland and organizing the first stakeholder forum in 2002. Memberships in organizations like the ILO and, above all, the EU have also given significant support to the subject.

The need to respond to pressure from Brussels and participation in the EU's High Level Group on CSR led to the formation of a *CSR working group* in 2007, situated at a cross-cutting level between different ministries. This first step towards the development of a CSR policy has been backed by a growing interest on the part of the media, especially the business press, and academic circles. In addition, large MNCs active in Poland and a few internationally active Polish companies have ventured into this terrain.

CSR Policy Rationale

CSR has become a subject in Poland as the country has become increasingly embedded in the global political and economic system. As a member of the EU and an increasingly industrialized country, Poland must meet the expectations and requirements of its international partners when it comes to production and consumption. Responding to this pressure from outside has led to initial CSR policy considerations and can be seen as a chance for Poland to stay in touch with international debates and current developments. Next to this external rationale, a strong domestic one also exists. CSR in Poland is indirectly influenced by the strong moral role of the church and the country's philanthropic traditions, on the one side, and its extensive experience of a totalitarian system and its subsequent transformation, leading to a general distrust of private business, on the other. The role that CSR policy can play in this environment is that of a mediator between cultural and societal traditions and the challenges stemming from an increas-

ingly globally integrated economy. On the societal level, the main task ahead for Poland's leaders will be to merge these two aspects and detach CSR from a purely ethical understanding, while harnessing the power of the country's religious morality. In order to do so, they must enhance the willingness among society's actors to cooperate and work in cross-sectoral partnerships as a way of creating synergies and building trust.

■ CSR Situation

CSR Public Policy: Understanding, Strategy

The Country's 2006 Development Strategy, NDP Consultative Process

The Polish government has not yet formulated an explicit strategy on CSR, as the subject is new on the policy agenda. Even though the Lisbon Agenda explicitly addresses CSR, Poland's most recent implementation document omitted the subject. Driven by external pressure, only recently have political representatives begun addressing the issue (World Bank 2006), since it is one that also affects the political sphere. In this sense, no explicit goals have been attached to the subject as yet and there is no common understanding of what CSR actually is.

Since the implementation of market reforms, the government's view has been that any corporate action that goes beyond generating profit is a voluntary and purely philanthropic exercise. The driving force has generally been seen as the moral and mostly religious convictions of private individuals. As such, state interference in this sphere has been deemed unnecessary. As Poland's leaders become aware of CSR, it must evolve from a general ethical concern to a standard aspect of economic and political development.

Since its preparation for EU membership, Poland has introduced numerous standards in the fields of environmental, labor, trade and industrial policy, and many government sectors have evolved in order to meet EU norms. In addition, topics such as sustainable development, social inclusion and the Lisbon Agenda have been included in the country's various legal policies in the past three years.

CSR Public Policy: State Actors

The most recent step towards establishing political responsibility for CSR has been taken by the *Ministry of Labor*, which has created a *CSR working group* at the interministerial level. The group consists of around 20 participants from, among others, the *Ministry of Labor*, *Ministry of Economics*, *Ministry of the Environment*, *Ministry of Finance*, *Office of Competition and Consumer Protection*, and *Office of the Committee for European Integration*. The idea behind the working group is to develop a CSR policy for Poland and to present it to the EU by the end of the year.

Several members of the working group have been assigned responsibilities that cover certain aspects of CSR, such as Poland's representation at the EU level on the subject of CSR. The unofficial leading role of the Ministry of Labor is no surprise, since all labor issues have currently been given priority in Poland. This is due to the high unemployment rate and the difficulties in meeting EU labor standards. Activities in this field can be interpreted as a kind of pre-CSR policy. The *Ministry of Labor and Social Policy* has created a *Department of Social Dialogue and Partnership*², which generally

addresses labor law but also tries to go further. The department also deals with social dialogue, largely in the form of a tri-partite commission, a rather new aspect for a formerly authoritarian state. Building civil society in Poland is not an easy task, as the department states rather frankly on its website. A basis for societal trust and a tradition of democratic rights are lacking, and negotiations between actors are more often marked by power politics than by a cooperative approach. Certain activities like the creation of *Partnerstwo Społeczne (Societal Partners)*³ have been launched by the ministry to build the foundation for more cooperation between sectors and – perhaps paradoxically – to respond to Poland's traditional state-centered attitudes. Along with the Law on Public Benefit described below, a *Council on Public Benefit Activity* was created to monitor the law's implementation. The council brings together selected representatives from NGOs, members of state ministries and representatives from local authorities. However, the corporate sector is not mentioned and the council has been criticized as being counterproductive for civil society, e.g. for its role as a consulting body to the government as it drafted the new Social Welfare Law (Golinski 2003; Kulik-Bielinska 2004).

Selected CSR State Actors		
Name	Description	Main Responsibilities/Activities
CSR working group	Interministerial working group founded in April 2007 to discuss and develop governmental strategy on CSR	To coordinate work of different departments in the Polish government in the area of CSR
Ministry of Labor and Social Policy	Location of Department of Social Dialogue and Partnership	Coordination of social dialogue in Poland: public sector – business sector – trade unions on national and county level, CSR representatives (CSR High Level Group) at European Commission http://www.mpips.gov.pl
Tri-partite commission	Representatives from administration, business organizations and unions. Revitalized in 2001 by the Act on Tripartite Commission for Social and Economic Affairs and on Voivodship Social Dialogue Commissions	Consultative body, analyzes and recommends action in the fields of labor and welfare law, the use of EU funds and entrepreneurship development. http://www.mps.gov.pl/index.php?gid=729
Council of Public Benefit Activity	Members of NGOs and public administration to accompany the Law on Public Benefit Activity	Monitoring and consulting especially with regard to mandatory cooperation between local administration and NGOs

² <http://www.mpips.gov.pl/index.php?gid=891>

³ <http://www.dialogspoleczny.pl/>

CSR Public Policy: Nonstate Actors

The impetus for most CSR activities in Poland still comes from abroad. Just as the political sphere is influenced by the EU and the World Bank, the main nonstate actors in this field are either international organizations or multinational companies and foundations of foreign origin. But as CSR becomes more and more known, some specifically Polish institutions have been established.

In terms of NGOs and foundations, the key international players are the German *Friedrich-Ebert Stiftung*⁴, the US-based *United Way*⁵ and, to some extent, the *Soros Foundation*⁶. The *Friedrich-Ebert Stiftung* supports a regional development project aimed at promoting CSR in Upper Silesia. So far, it has focused on seminars and research projects; the segment on “good practices” has still to be addressed. The *United Way*, a US-based umbrella organization for community activities, is dedicated to matching companies with social projects, such as payroll deduction plans, corporate volunteering and other mediating activities. Other NGOs and foundations, such as the *Soros Foundation*, concentrate on specific aspects of developing civil society and CSR. For example, its Polish branch, the *Stefan Batory Foundation*, deals with the subject of corruption, a serious obstacle to development in Poland. In contrast to many other European countries, the OECD’s guidelines do not receive much attention; despite having been translated into Polish, there is no active promotion or monitoring going on.

The international influence regarding CSR has left its traces. The first NGO to deal with CSR was the *Responsible Business Forum*, established in 2000. This organization, the partner of *CSR Europe* in Poland, publishes the annual Polish CSR Report, organizes best-practice fairs and carries out hands-on research projects. Although it was founded by academics, NGO representatives and business people alike, it remains dominated by MNCs.

A new CSR organization is Centrum CSR, established as an independent applied research center targeting small and midsized enterprises. Since its inception in 2006 it has begun to play quite a significant role by organizing educational training courses for smaller businesses. The *Academy for the Development of Philanthropy* is, as the name states, not strictly bound to CSR, but promotes strategic philanthropy and corporate citizenship. Its target group is also SMEs.

Although trade unions have played a prominent role in Poland’s history, especially through *Solidarnosc*, they are not active in the field of CSR as yet. They are still largely concerned with the problem of unemployment and the violation of fundamental labor rights. Perhaps the most active driver of CSR in Poland is the academic sector. Since it is closely linked to the international scientific community, business ethics became a subject of interest at the end of the 1990s, a period that was still dominated by market transition and economic insecurity in Poland. The *Business Ethics Centre (CEBI)* was inaugurated in 1999 and has since published reports, organized conferences and held a monthly seminar on CSR. Currently it is a partner to the *European Academy of Business in Society (EABIS)*, which has sped up the process of linking Polish academics to the international scene. Another active academic player is the *Gdansk Institute of Market Economics*⁷, which is one of the drivers behind the Polish debate on corporate governance.

This academic exchange remains somewhat theoretical, since its influence on business practice is rather marginal. Only MNCs active in Poland, such as *Danone*, *BP* or *Toyota*, are truly active CSR players, with various programs and projects in place. The first Polish CSR ranking, published in the May 2007 issue of the Polish edition of *Manager Magazin*, does highlight some very large Polish companies such as *TP (Polish Telecommunication)*, *PKN Orlen* (oil refiner), the airline *LOT* or the brewery *Kompania Piwowarska*, which have introduced CSR policies that go beyond mere public relations. However, it must be noted that these companies are also highly influenced by foreign managers, who sit on their boards, and by international capital flows. Polish companies that concentrate on the domestic market and the country’s SMEs may be active as philanthropists by donating money to community organizations, but they do not pursue CSR within a strategic management framework. Business associations, both international and national, promote ethical principles and organize seminars and awareness campaigns, but their activities in this field are not realized fully by all their members, as the reluctant implementation of CSR by smaller Polish companies shows. Additional evidence for this can be seen in the limited CSR outreach activities carried out by large organizations like *Lewiatan* (Polish Confederation of Private Employers), which has 3,000 member companies.

4 <http://www.feswar.org.pl/>

5 <http://www.unitedway.org.pl/>

6 <http://www.batory.org.pl/english/about/index.htm>

7 <http://www.ibngr.edu.pl/english/index2.htm> and <http://www.pfcg.org.pl/en/index.htm>

Selected CSR Nonstate Actors		
Major Business Actors		
Name	Short description	Main responsibilities/Activities
Lewiatan (Polish Confederation of Private Employers)	Organization embracing 3,000 companies employing 600,000 people in total	Promotion of ethical principles and "social manifesto" among member companies. Partner in several projects financed by the European Union that aim at promoting CSR issues. Organizes meetings on business case of CSR. http://www.pkpplewiatan.pl/en/index
Polish Chamber of Commerce (PCC)	Largest economic self-governmental organization in Poland, comprising over 130 economic organizations	Polish partner of the 2005 EU project Awareness-Raising Campaign on CSR for SMEs. It carries out the Employment Fair Play project. Promotion of business culture and labor market ethics, for which it organizes conferences, workshops for SMEs. http://www.kig.pl/
Academic		
Business Ethics Center (BEC/CEBI)	Founded in 1999 by the team for business ethics at the Institute of Philosophy and Sociology of the Polish Academy of Sciences and Leon Kozminski Academy of Entrepreneurship and Management	Research and study center as a meeting place for business and academic leaders. BEC organizes an all-Poland monthly seminar devoted to ethics and corporate responsibility and various conferences. It also publishes books, research reports and scientific papers. It is partner to the European Academy of Business in Society and realizes international research projects, e.g. European Platform for Excellence in CSR Research. http://www.cebi.pl/
Civil Society		
Responsible Business Forum	First nongovernmental organization in Poland to focus on the concept of CSR. The forum was established in Warsaw in 2000 as an initiative of Polish businessmen, academics and NGOs.	Cooperates with 19 strategic partners, but above all with multinational corporations operating in Poland. The forum organizes the annual Good Business Practices Fairs, monitors the market by publishing a yearly corporate responsibility report, carries out research projects and organizes many meetings with business representatives. Since 2002, the forum has been the national partner of CSR Europe. http://www.odpowiedzialnybiznes.pl/strona.php?kat=221
The Academy for the Development of Philanthropy in Poland	Founded in 1998, it is active in: development of local communities, social business involvement, social entrepreneurship and individual philanthropy.	The academy organizes a competition for the title of Benefactor of the Year. It promotes many activities in strategic philanthropy and socially responsible business, especially among smaller companies. http://www.filantropia.org.pl/english/e_menu.html

CentrumCSR.PL	An independent organization established in 2006 and built by individuals wanting to create a center for researching and communicating the concept of corporate social responsibility.	The goal is to bring together representatives of civil society as broadly conceived in debates on the nature of CSR in Poland. CentrumCSR.PL already takes part in educational projects for representatives of small and mid-sized companies in Poland as well as in projects launched by the academic community. http://www.centrumcsr.pl/index.php?lang=en
CSR Haus	Project for CSR in Upper Silesia, partnered by Germany's Friedrich Ebert Stiftung	Involved mostly in awareness raising through seminars and conferences; best-practice section is in development. http://www.csr-haus.pl/de/przylacz.php

CSR Public Policy: Instruments and Activities

a. Mandatory Framework

Polish legislation has so far not made any explicit mandatory requirements for CSR. However, Poland's accession to the EU has brought about a number of laws connected to labor and environmental issues that would be counted among CSR-relevant legislation elsewhere and which meet the minimum EU standard. For instance, the country's support of employment of disabled persons is the result of standards accepted and practiced across Europe. Introduction of many new EU standards is a critical juncture in the process of change and the sometimes slow implementation that leaves many Polish business people with a feeling of insecurity and uncertainty (Lewicka-Strzalecka 2006:442). This feeling of instability and excessive bureaucracy leads to Polish companies being discouraged in terms of social engagement. Obeying the law is already seen as a heavy burden, and going beyond it does not make sense for managers who have not yet been introduced to the concept of CSR.

There are a few areas where the government actually becomes active beyond basic EU legal recommendations and requirements, the first being corporate governance. According to an assessment executed in 2005 by the World Bank, "Poland is at an advanced stage of corporate governance debate, discussion and reform" (World Bank 2005a). The public sector has been playing a more influential role than in other emerging market countries, regulating mainly through the responsible government agency, the *Polish Financial Supervision Authority*⁸, which is directly supervised by the government. All

domestic companies are subject to the Code of Commercial Partnerships and Companies of 2001, which governs shareholder relationships, disclosure and audit questions.

In recent years, introduction of legislation, a corporate governance code and enforcement institutions have led to compliance with all basic OECD principles in the field of corporate governance. Basic minority rights and disclosure recommendations are in place and public companies are required to file regular reports. It must be said, however, that compliance with the standards is still rather poor, and enforcement by the PSEC, especially on reporting, has its flaws. The regulation of pension funds is also still a weak spot. The topic is currently being discussed by the *Warsaw Stock Exchange*, but so far CSR is not being taken into account.

A landslide event for the Polish NGO sector was the launch of the Law on Public Benefit Activities and Volunteerism in 2003, which gives civil society organizations a clearly defined legal status and a number of privileges. The law also regulates the work of volunteers, offering them, among other things, accident insurance. This was esteemed as especially important, since the country's long-standing tradition of charitable activity reemerged after 1989, and nowadays many areas that are neglected by the state are taken care of by philanthropic and citizen organizations. Perhaps the most important change initiated by this law is the mandatory cooperation between local governments and NGOs, which has led to an increase in joint projects and a decrease in skepticism.⁹ In spite of these legal measures, critical voices remain, saying that especially community foundations, which are becoming more and more relevant, are facing legal challenges because of inconsistent

⁸ http://www.knf.gov.pl/knf/index.jsp?place=Menu06&news_cat_id=763&layout=4&page=0

⁹ www.pozytek.org.pl/Public,Benefit,Organisations;554.html

interpretation of public financing law by local governments. These problems may be seen as an inevitable part of the societal and political transformation costs, but political observers have stated that the conservative Kaczyński government is trying to concentrate power around the national government (USAID 2006).

The third area where the state has become active in terms of regulation is the establishment of public-private partnerships. Poland is one of the few EU countries with a clear mandatory framework for cooperation between businesses and the public sector. Although a few PPPs – the international airport in Warsaw, for example – have existed for a while, the general conviction was that clear legal status for an instrument that is new to young market economies would help to build trust and motivate more public agencies and companies to work together. Since infrastructure development in Poland tops the government's list, PPPs are one means of reaching development goals. Critical voices say that the law has a tendency to burden the private partner with more risks than the public one. According to recent studies, some amendments and first viable examples will help the law to truly function from 2007 onwards (PriceWaterhouseCoopers/Worldbank 2006).¹⁰

b. Soft Law

The OECD guidelines are officially promoted by the *National Contact Point* located within the *Polish Information and Investment Agency*. This shows that the OECD guidelines are regarded as a tool for trade and marketing purposes and not as an integrated aspect of Polish business ethics. Apart from a short text about the purpose of the guidelines and two links to the full text of the guidelines in English and Polish, only a contact telephone number is given. No active promotion of the guidelines is taking place. The Global Compact was introduced in 2001 and member companies, mostly large multinationals, meet regularly and take part in UNDP projects. It cannot be counted among the most active bodies in Poland, and in many cases reporting does not take place.

The third line of international impact on soft law comes from Brussels in form of the Lisbon Agenda. Poland has adopted an implementation strategy for a National Reform Program, not yet taking CSR into account, but making reference to the topic of sustainable development.

As is the case with mandatory requirements, the most active field of CSR-related activities is corporate gover-

CSR-Relevant Legislation		
Name	Date	Description and Reference
Code of commercial Partnerships and Companies	2001	Part of the law on economic activity, legislates shareholder relationships, disclosure and audit questions. www.uokik.gov.pl
Law on Public Benefit and Volunteerism	2003	Gives clear status to NGOs active in certain areas like social welfare and community development and makes cooperation between local authorities and NGOs on certain fields mandatory http://www.pozytek.gov.pl/Public,Benefit,and,Volunteer,Work,Act,567.html http://www.usig.org/countryinfo/laws/Poland/Poland%20PBA.pdf
Public-Private Partnership law	2005	Sets a clear framework for cooperation between business and administration. After some changes, for instance regarding insufficient guarantees on long-term budgeting by the public sector to meet expected commitments to private partners, the law is expected to come into force from 2007 onwards. http://www.business.gov.pl/Public-Private,Partnership,(PPP),107.html

¹⁰ [http://www.business.gov.pl/Public-Private,Partnership,\(PPP\),107.html](http://www.business.gov.pl/Public-Private,Partnership,(PPP),107.html)

nance. Apart from the government, the other major player in this field is the largely state-owned *Warsaw Stock Exchange (WSE)*¹¹, with its widely recognized Best Practices in Public Companies Code. Out of 317 companies registered at the WSE, 313 subscribe to the CG code on the basis of “comply or explain,” which means that not all rules are followed. Generally, soft law does not seem to be the preferred way of introducing new policy ideas in Poland. The central role of the state government, the recent liberalization of the domestic market and the rather pronounced division between societal actors does not seem to favor self-regulation, codes and other voluntary guidelines.

c. Initiatives and Partnerships

Due to its era of communist rule, Poland cannot look back on a tradition of collaboration and partnering between societal actors. Any problems that arise are usually regarded as a government affair. In light of this obstacle to societal development and peace, the *Department of Social Dialogue and Partnership* was created and tries to establish cross-sectoral partnerships. Among the key target groups are trade unions and employers, with their often difficult relationship. Increasingly, though, professional lobby groups and NGOs are addressed, which demonstrates the gradual opening up of Polish society to civic dialogue. There are three major formal partnerships in Poland, and although none of them directly refers to CSR, they point in this direction.

Launched in 1994 and renewed in 2001, the *Socio-Economic Trilateral Commission* was among the first bodies of this kind and took part in the process of public consultations on the draft of the National Development Plan for 2007 - 2013 (Napiontek/Falkowski 2006).

The formation of a *Council on Public Benefit Activity* was already integrated within the Law on Public Benefit of 2003. It brings together 20 representatives of administration, NGOs and business and monitors the implementation of the law or assists in related disputes (Kulik Bielinska 2004). The *Joint Central and Local Government Committee* was created in the course of administrative reforms and links representatives from government with self-governing municipal entities.

d. Incentives

The Public Benefit and Volunteer Act has introduced an opportunity to donate 1 percent of personal income tax

to support organizations that benefit the public. For corporate organizations, tax breaks of up to 15 percent are possible on contributions for education, social welfare or social reintegration. The impact of the law is already visible: The sum of tax-exempt donations rose from €2.7 to €11.4 million in just one year.¹²

e. Awareness

CSR is still a very new concept to all actors in Poland. Consumers and business practitioners presently have priorities that largely do not take into account ethical behavior or community involvement (World Bank 2005b).

Apparently it is not among the government’s priorities to change this: The bodies compiling and spreading information and organizing meetings and conferences are mostly the few business and NGOs active in the field. There is an annual award called Business Fair Play¹³ that was initiated by the *Polish Agency for Enterprise Development (PARP)* and is now organized by the *Institute for Private Enterprise and Democracy of the Polish Chamber of Commerce*. The prize focuses on highlighting good working conditions and charitable actions and is thus in line with the current Polish priorities of labor issues and charitable activities.

Poland currently has three eco-labels in place, which have not been very successful so far in terms of consumer awareness. As a World Bank report states, these labels should be better adapted to the Polish market, and producers and consumers need to be better informed on what the labels are actually based on. Since Poland is a young market economy and transforming state, rather sophisticated instruments like ethical consumer labels still have a limited chance of becoming a matter of concern for the public (World Bank 2006). However, some recently founded NGOs such as *eFTe* are pushing the subject and have organized a workshop at government level on the subject of fair trade.

■ CSR Public Policy Maturity

In the EU, Poland is among the late starters in terms of its development of public sector activities regarding CSR. Although some activities that can be counted as CSR-relevant are taking place, any awareness of CSR

11 <http://www.gpw.pl/>

12 <http://www.forumdarczynow.pl/>

13 <http://www.fairplay.pl/>

among government representatives is fairly new. The formation of the CSR working group and the appointment of a CSR representative at the EU level are steps in the right direction, but there is no officially responsible body and no strategy in place. Activities are mostly mandatory, and even if they are rather close or even very close to core CSR issues, they do not yet address CSR directly. In addition, the integration of stakeholders and active communication on CSR are still lacking. In international comparison, Poland is still in its first generation of CSR policy development, but the creation and first meetings of the CSR working group show that it could enter into the second phase soon enough.

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South Africa¹

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Public Policy Rationales

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

Public Policy Activities

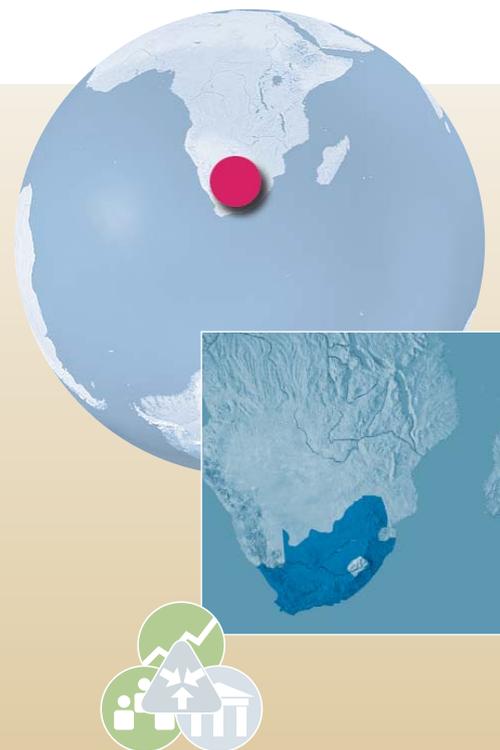
- Mandating: National Black Economic Empowerment Act; other CSR-related laws
- Partnering: Some CSI and issue-specific partnerships
- Soft law: Setting standards at the sectoral level
- Incentives: Public procurement

Public Policy Actors

- Department of Trade and Industry (DTI)
- Tangential responsibilities of other public actors

CSR-Relevant Context Factors

-  Relatively recent reintegration into the global economy; high unemployment rates
-  Government is characterized by post-apartheid politics and policies; capacity gaps
-  High level of autonomy of societal actors; high level of socioeconomic inequality
-  High incidence of social conflict



■ Executive Summary

Profiling CSR

South Africa (SA) is regarded as a success story in terms of transition to democracy in Africa, with its first elections in 1994 for South Africans of all races. This was a significant turning point in South Africa's political history, which in the 20th century was characterized by the political elite's extensive measures to maintain white minority rule and oppress the black population through the discriminatory system of apartheid. The system of apartheid was established by the right-wing National Party, which came to power in 1948, with an explicit institutionalization of racial segregation that outlawed the major black opposition movement, the African National Congress (ANC). The country's political culture emphasizes consultation, though there are concerns that the current government has emphasized a centralized style of decision-making. Civil society actors, especially churches and NGOs, play a crucial role in social welfare provision. Since 1994, the country has

been re-integrated into the global economy and TNCs have returned to the country. However, growth has created few jobs, due to a shift towards capital-intensive industries. Other challenges for the South African economy are poverty, a high incidence of HIV/AIDS and high income inequalities.

CSR in South Africa traditionally has focused on corporate social investment (CSI) in the sense of philanthropic contributions made by companies and has only more recently embraced other issues. Today, CSR-related issues taken up by the public sector are partly addressed in the state's policy on Black Economic Empowerment (BEE), which seeks to provide redress to socioeconomic inequalities in the wake of apartheid. With regard to BEE, the government is very active and has instruments of all categories in place, but shows considerably less engagement in the promotion of the broader concept of CSR. The *Department of Trade and Industry (DTI)* is the most active public sector actor with regard to CSR-promotion, as it is responsible for the BEE framework. The South African government does not explicitly legislate for CSR outside of the BEE framework, whereby there is

¹ Author of this country profile is Susanne Schaller, Institute for Development and Peace, University of Duisburg-Essen. She was advised by Ralph Hamann, University of Capetown, South Africa.

an encompassing legal framework with regard to CSR-related areas, e.g. environmental and social standards. The BEE law also plays a role with regard to CSR in that it is not confined to mandatory measures but also comprises semi-mandatory and voluntary measures. The public sector also exerts its partnering role in the multi-stakeholder development of the BEE charters and some issue-specific initiatives. Finally, public procurement is a key mechanism to implement the BEE law and can have an incentivizing effect on companies.

While there are no explicit statements of public sector organizations as to why the government supports CSR, the key rationale for CSR-related public sector initiatives is seemingly connected to the overall goal of the BEE framework: to facilitate previously disadvantaged South Africans' access to economic opportunities and thus address socioeconomic challenges. A second important rationale is to address financial and government capacity gaps through philanthropic partnerships with business. This is related to the challenges facing the government in terms of the lack of human resources and the resulting inability to implement policies in an effective way.

Navigating CSR

The lack of a CSR coordination point and of evaluation of CSR activities by the government point to limited public policymaking. However, there are indications of development of some strategies, coupled with increasing awareness-raising activities. There is a fully developed

policy in place for the integration of stakeholders. All in all, CSR public policy in South Africa can be assessed as being in the early second generation of maturity.

So far, the public sector has not grabbed the opportunity of linking BEE to the international CSR discourse. Such a link could improve the understanding of the BEE agenda on the part of the foreign investors who are more exposed to general CSR debates. It might also give rise to more streamlined management systems, as many companies are currently responding to BEE and CSR by means of separate management systems. Linking BEE and CSR more effectively could also contribute to integrating CSR more significantly into companies' core business. So far, CSR is still defined by many companies in terms of an emphasis on philanthropy. More integrated and holistic approaches could play an important role in the rapprochement between the public and private sectors and could improve collaboration, which would correspond to the public sector's goal of mobilizing additional resources and diminishing gaps in government capacity.

CSR Public Policy Maturity Level

Early second generation:

- There is no single contact person or coordination point
- The government does not evaluate CSR activities apart from various BEE measures
- There is some indication of strategy development, of various CSR activities and of communication and awareness
- There is some development and application of CSR policy
- There is a fully developed and applied CSR policy for the integration of stakeholders

CSR Recommendations

- An integrated CSR strategy, different from philanthropy, should be clarified and developed
- BEE and CSR agendas can be linked more effectively
- Collaboration between the public and private sectors can be improved upon



■ CSR-Relevant Context

Political, Social and Economic System

South Africa is characterized by conflicts between various ethnic groups and a long history of extensive measures to oppress the black population and maintain white minority rule. After the 1948 election victory of the right-wing National Party, the system of apartheid was established and included an explicit institutionalization of racial segregation while outlawing the major black opposition movement, the African National Congress (ANC). The National Party held power until the early 1990s. In 1990, the ANC and other resistance organizations were unbanned and negotiations between the National Party government and the resistance movement led to multiparty talks resulting in the interim constitution of 1993. The first democratic elections were held in 1994, bringing Nelson Mandela and the ANC to power.² The final constitution promulgated in 1996 is widely regarded as very progressive and contains a detailed chapter on civil liberties and human rights. Among other rights, everyone is guaranteed access to healthcare and sufficient food and water.

In terms of transition to democracy, South Africa can be regarded as an African success story, which is illustrated by a relatively high BTI Status Index of 7.98. The country is regarded as an important regional player and an “emerging middle power.” For instance, SA was the driving force behind the New Partnership for Africa’s Development (NEPAD) and the African Union (AU). The hope is that it thus positively influences other African countries as an “anchor of stability” (Erdmann 2007: 2).

With regard to its political system, the Republic of South Africa is a federal state, consisting of a national and nine provincial governments. The bicameral parliament, i.e. the legislative power, comprises the National Council of Provinces and the National Assembly. Executive power is held by the president, who is appointed by the National Assembly. South African politics are dominated by the ANC, which received 69.7 percent of the vote in the last elections held in 2004, with Thabo Mbeki serving as the current president. The main opposition party is the comparatively weak Democratic Alliance, which is often regarded as representing a “white” privileged constituency.

The country’s political culture emphasizes consultation, though there are concerns that the current government has emphasized a centralized, efficiency-focused style of decision-making. Also, due to the history of apartheid, the legitimacy of many public institutions is still contested, and the government faces significant challenges in implementing its policies, laws and regulations. A crucial challenge is the lack of capacity within government (Visser 2005: 31), especially the lack of qualified and skilled human resources. This also applies to the implementation of human rights protections guaranteed in the constitution (HRW 2007).

In view of the country’s socioeconomic status, a comparatively extensive social welfare system exists, which focuses on child-support grants and pensions for the elderly. State hospitals and clinics provide a limited degree of free medical care and the government manages an unemployment insurance fund. These state-based services are augmented by a market-based system of medical aid, insurance and pension programs. Civil society actors, especially churches and NGOs, play a crucial role in social welfare provision.

Since 1994, the country has been re-integrated into the global economy after decades of boycott by the international community in protest of the system of apartheid. In 1996, the Mandela administration liberalized trade through the macroeconomic Growth, Employment and Distribution Strategy (GEAR). Though widely criticized, GEAR and related initiatives have contributed to a well respected macroeconomic performance over the past 10 years. Today, SA belongs to the “upper-middle-income countries.” However, growth has produced few jobs, due to a shift towards capital intensive industries. High unemployment rate of between 30 and 40 percent persist (Bertelsmann Stiftung 2006) and many people turn to the informal sector to find work. According to official estimates, this “grey” sector contributed 23 percent to total employment in 2006 (Kane-Berman 2006). Other challenges for the South African economy are poverty, a high incidence of HIV/AIDS and high income inequalities that are illustrated by a comparatively high Gini coefficient.

The government is relatively active in the economy, with a continuing crucial role of running state-owned enterprises and offering significant support for strategic industrial activities. SA’s main economic sectors are

² For a detailed historical overview cf. Sparks (1999), van Donk/Pieterse (2004).

financial services (21.1 percent of GDP), manufacturing (18.6 percent), mining (7.0 percent) and construction (2.5 percent) (The Economist 2007). Platinum, gold and coal are the primary exports, accounting for about one quarter of all exports. A predominant feature of the South African economy is its high number of large and very small companies, with few small and mid-sized companies (SMEs) in between.

Due to its history, SA is characterized by high cultural and socioeconomic diversity. For instance, it has 11 national languages. It can be argued that there is a division of society between the more modern, urban population and the more traditional, rural population. While the former is more individualistic, the latter focuses more on group and community solidarity. The country's re-integration into the global economy since 1994 has also had a cultural impact. One manifestation of this is the growth of consumer culture, particularly among the new middle class. At the individual level and with regard to many people, there is an emphasis on short-term benefits as opposed to a long-term orientation due to high poverty rates.

Relationship Between Economy, Society and Government

In comparison to other African states, South Africa has a strong and vibrant civil society, with an estimated

100,000 organizations (Bertelsmann Stiftung 2006). The country's politics are characterized by a relatively active involvement of civil society in policy- and decision-making, although the level of involvement is widely perceived to have decreased since the early years after the regime change. Poor communities, in particular, are commonly unaware of their rights and unable to influence decision-making procedures. Nevertheless, there are new social movements that criticize the government and there has been an increase in violent protests by civil society actors, especially with regard to deficient service delivery at the local level.

NGOs and community-based organizations focusing on service delivery generally have a relatively positive relationship with the business community, while advocacy-focused NGOs have a more critical approach to business and, as a result, a more adversarial relationship with the private sector.

The public and the business sectors interact to a significant degree. For instance, the president has established a *Big Business Working Group* to provide for structured interaction between business and the highest levels of government. However, there are concerns that these interactions sometimes provide greater influence to foreign companies than domestic ones. There are also concerns that these interactions subvert the effective and legitimate functioning of the National Economic Development and Labour Council (Nedlac)³, which is the

Facts and Figures		Source
GDP	946.1 billion US\$ (2005)	WB
GDP annual growth rate	4.9% (2005)	WB
Import of goods and services	27% of GDP (2004)	UNDP
Export of goods and services	27% of GDP (2004)	UNDP
Corruption Perception Index	4.6 (2006)	TI
Gini Index	57.8% (2000)	UNDP
Gender Equity Index	70 (2007)	Social Watch
Public health expenditure	3.2% of GDP (2003-04)	UNDP
Public education expenditure	5.4% (2002-04)	UNDP
Unemployment rate	25.5 billion (2006 est.)	CIA
Population living below \$2 a day	34.1 (1999-2004)	UNDP
BTI Status Index	7.98 (2006), rank 16	BTS

3 Cf. www.nedlac.org.za

formal mechanism for the government, private sector and civil society to interact and reach consensus on social and economic policy issues. With regard to interactions between the government and SMEs, a recurring concern is the lack of legitimate, effective business associations for such companies. Furthermore, there is still a lingering distrust between the public and the private sector, which can partly be traced back to apartheid.

Development of CSR Public Policy

In relation to both the public and the private sector, the development of CSR in SA is closely connected with the country's history, especially the rise and fall of the apartheid system.

In the 1970s, business realized that the deteriorating conditions under apartheid contributed to an environment where business was constrained. In addition, international pressure on the apartheid system increased. Both factors led to some early CSR activities by firms. One example is the formation of the *Urban Foundation*, in which prominent companies contributed to efforts to improve socioeconomic conditions in the townships. Later on, the government's BEE policies can also be regarded as a response to apartheid and the resulting unequal distribution of wealth (cf. Hamann 2004).

The transition to democracy has also influenced the development of CSR in South Africa. This process has been accompanied by the business community's commitment to SA's transition to democracy and has intensified dialogue between business and government. An example for this new "partnership" is the *National Business Initiative (NBI)* which was launched by then President Mandela in 1995. The *Urban Foundation* and the *Consultative Business Movement* were combined in this new organization with the aim of providing a "united business response to the socioeconomic challenges facing the politically transformed nation."⁴ Such initiatives can be understood as efforts to align government objectives with CSR activities, e.g. in terms of CSI programs.

The development of SA's economy also had a bearing on the CSR agenda. The fact that during apartheid, the country's economy was more or less excluded from the international economy contributed to the development

of "home-grown" approaches to CSR in the form of CSI and, later on, the close connection to BEE. This also explains why the "common" international CSR agenda only started to influence business thinking after 1994. With the opening of the economy, international CSR ideas and norms came into the country, and some investors' expectations of compliance with CSR standards and accountability issues started to enhance the CSR discussion. The internationalization of the economy has also led to the majority of shares on the Johannesburg Securities Exchange (JSE) now being owned by foreign investors, which can be regarded as one of the strongest drivers for the adoption of international CSR norms and policies.

CSR Policy Rationale

Although there are no explicit statements of public sector organizations as to why the government supports CSR, it is possible to discern two key rationales for CSR-related public sector initiatives. The first is connected to the overall goal of the BEE framework, which is to facilitate previously disadvantaged South Africans' access to economic opportunities and, as a result, to address socioeconomic challenges. A second important rationale is to address financial and government capacity gaps through philanthropic partnerships with business. This particular rationale is also related to the challenges facing the government in terms of its lack of skilled human resources and its resulting inability to implement policies in an effective way.

■ CSR Situation

CSR Public Policy: Understanding, Strategy

Traditionally, the dominant conception of CSR in SA has been CSI in the sense of philanthropic contributions from companies to health, education, welfare, and related issues. Examples are the *Urban Foundation* (in the 1970s) and the *Sullivan Code* (in the 1980s). This conception is rooted in apartheid, when companies' contributions were meant to resolve inequalities. However, it can also be understood as an effort to stave off sanctions

4 <http://www.nbi.org.za/welcome.php?pg=107>

in response to developments in the 1980s, when an international campaign for disinvestment in SA and pressure for sanctions against the apartheid regime arose.

Until today, the public sector has understood CSR mainly as CSI. Only more recently has CSR acquired a broader meaning, in light of concepts such as sustainable development with its three pillars of economic development, social development and environmental protection. CSR in SA in the early 1990s focused on environmental responsibility and later included health, safety, social and economic issues (cf. Visser 2005: 18). In the form of good corporate governance, CSR is also gaining relevance for the public sector as part of economic policy.

So far, the public sector has not explicitly dedicated policies, programs or institutions to CSR. An important constraint in this regard is the government's lack of participation in the international discourse on CSR. There is no common understanding of what CSR is and how it may be supported by the public sector. Rather, it is hoped that the private sector will contribute resources to the provision of public services. However, there is little engagement by the public sector in the establishment of a framework to facilitate and promote this kind of activity. Hence, public instruments and activities promote issues that are relevant for the CSR agenda only indirectly.

Most importantly, however, the public sector promotes CSR issues as a part of post-apartheid socioeconomic transformation, especially in the context of BEE meas-

ures. These measures are meant to provide redress to previously disadvantaged South Africans with regard to economic access, and to address issues such as equity ownership, access to management positions, employment equity (affirmative action), preferential procurement, skill development and enterprise development, as well as CSI initiatives. The BEE agenda thus contains many elements that are relevant to CSR. (cf. Hamann et al. 2005). There is still some confusion about the relation of BEE to CSR, but many South Africans apparently regard BEE as a prerequisite for and true manifestation of CSR. As larger South African companies are linking CSR and BEE more explicitly, the public sector might follow suit in the future.

CSR Public Policy: State Actors

As far as responsibility for BEE is concerned, *DTI* is the most important governmental actor. In regard to CSR, responsibilities of public actors cannot be clearly attributed, as there are no dedicated CSR policies or institutions. With regard to some specific issues, however, many public sector departments and other authorities have a more indirect responsibility for CSR promotion. For example, The *National Treasury* implements public-private partnerships (PPPs) for achieving BEE objectives. Such PPPs also contribute to CSR enhancement.⁵ *Nedlac*, which is funded by the *Department of Labour*, brings together business associations, labor organizations and community groups on a national level to discuss and reach consensus on issues of social and economic policy. This is called "social dialogue."⁶

Selected CSR State Actors

Name	Main Responsibilities and References
Department of Trade and Industry	To provide for economic growth and job creation by facilitating a sound investment climate; this includes corporate governance issues and BEE. www.thedti.gov.za
Department of Foreign Affairs	To develop and implement SA's foreign policy, whereby the operations of South African companies in the rest of Africa have some bearing. www.dfa.gov.za
National Treasury	To manage the public finances of SA, including a unit for the implementation of PPPs in SA. www.treasury.gov.za

⁵ For detailed information see <http://www.ppp.gov.za/>

⁶ <http://www.nedlac.org.za/>

Department of Environmental Affairs and Tourism	To develop and implement environmental policy. This includes broader sustainable development issues, including the National Framework for Sustainable Development. www.environment.gov.za
Department of Social Development	To provide social welfare and development services. To a limited extent this involves partnerships with the private sector, especially with regard to companies' CSI programs. www.welfare.gov.za
South African Human Rights Commission	Independent state institution, established in 1996 on the basis of a constitutional mandate to enhance awareness of human rights in SA. It aims to protect and promote human rights through a number of activities, including monitoring the observance of human rights, raising awareness and promoting education and training. Currently establishing a business and human rights office. www.sahrc.org.za

CSR Public Policy: Nonstate Actors

Business actors and especially TNCs played an important role in the emergence of CSR in SA and are still relevant CSR drivers. During apartheid one of the first expressions of CSR was the Sullivan Principles aimed at ensuring that US companies in SA were adhering to basic labor standards. This was also a response to increasing international pressure on SA and its apartheid regime. When TNCs started returning to the country after transition, they played an important role in providing examples of best practices insofar as they already had internalized CSR policies and practices. In addition, some of the largest South African companies established a presence at one of the primary stock exchanges and felt increasing pressure by investors and NGOs in regard to CSR. This was especially the case for mining companies (cf. Hamann 2004a).

Today, there are some prominent market instruments to enhance CSR. One example is the JSE Socially Responsible Investment Index, which has been published annually since May 2004. This index was developed with reference to the FTSE4Good Index Series and adjusted to the South African context. It aims to highlight companies with good sustainability practices, to provide the basis for financial SRI products and to find an objective method of measuring the sustainability performance of listed companies. For the first time, this index provided a set of criteria defining the priorities of corporate citizenship in SA (Sonnenberg/Hamann 2006).

Transnational standards like ISO 14000 also play an important role for companies, as SA business representatives participated in its development and many companies are certified. Representatives from business and

civil society are also involved in the development of the planned social responsibility standard ISO 26000. In addition, a number of South African companies are certified in accordance with the requirements of the *Forest Stewardship Council* and some fair trade and related certification systems also exist.

Furthermore, there are various business initiatives and coalitions that influence CSR in the country. The transnational *World Business Council for Sustainable Development* has some relevance in SA as this global network includes the *South African NBI*, which is the most prominent business-based organization driving the CSR agenda in South Africa. The NBI has worked on CSR projects and has also coordinated the development of the National Energy Efficiency Accord that was signed in May 2005 by over 30 business leaders and the then minister of Minerals and Energy as a voluntary effort to implement the National Energy Efficiency Strategy.

Regional coalitions also raise awareness of CSR issues. The *Africa Task Force of the UNEP Finance Initiative*, for instance, provides best practice guides, offers a forum for discussion and engages in political lobbying.

At the national level, an important business actor is the *South African Business Coalition on HIV and AIDS*, which focuses on providing resources to fight the disease. The *NBI* conducts a number of projects related to CSI. It also participates in the *Big Business Working Group* and is currently the focal point for the national *Global Compact Network*.

Furthermore, some sector-specific business associations play a role in the development of CSR initiatives. Two of

the most significant are the *Chamber of Mines* and the *Chemical and Allied Industries' Association*, whose activities include influencing and supporting public policy-making, acting as a platform to share best practices and implementing voluntary initiatives.⁷ The CSR engagement of local business associations, however, is limited.

Other relevant nonstate actors are trade unions. They are crucial in furthering labor rights and played an important role in the struggle against apartheid and the development of SA's labor legislation. To some extent they have also influenced environmental issues, social and economic human rights, and play a role in the national debates on HIV/AIDS. In some instances, this has included partnerships with company management to develop and implement plans for the provision of HIV/AIDS drugs to company employees. In general, however, unions in SA support mandatory measures and are skeptical of CSR as a voluntary concept.

Some relevant civil society organizations also drive CSR development. The international *African Institute for Corporate Citizenship*, based in SA, has had a prominent role in the national CSR debates. An important national religious actor is the *BenchMarks Foundation*, which unites five Christian organizations and contributes to civil society debates on CSR. Muslim organizations have some influ-

ence in the SRI field, with Sharia-compatible SRI funds having been among the first SRI initiatives in the country.

The country's most prominent NGO in the context of CSR is *GroundWork*, which focuses on pollution and environmental justice. It plays a crucial role by providing an important critical voice as a watchdog for corporate behavior. In regard to lobbying, however, the success of NGOs has been sporadic.

In addition to implicit and explicit CSR activities by state and nonstate actors, the media also spread awareness of CSR. BEE issues in particular are almost a daily feature in the newspapers and the business press. Some newspapers also provide special features on CSI activities. One prominent example is the *Mail&Guardian's* annual Investing in the Future awards feature, which provides information about the impact and innovation of outstanding CSI activities.

Academia has been relatively slow to engage in CSR research in SA. CSR is a main research topic at only a few university departments. The most prominent exception in this regard is the *University of South Africa's Centre for Corporate Citizenship*. As far as MBA programs are concerned, most are still "dominated by conventional notions of business success" (Hamann et al. 2006).

Selected CSR Nonstate Actors

Business Actors

Name	Short description	Main responsibilities/Activities
International		
World Business Council for Sustainable Development	Business-led initiative related to sustainable development	Approx. 190 member companies from more than 35 countries and 20 major industrial sectors; its global network includes about 60 national and regional business organizations. www.wbcsd.org
Regional		
NEPAD Business Foundation (NBF)	Unites African business associations in NEPAD countries	Organization with predominantly South African members; adheres to the Corporate Governance Principles, including the King 2 report. www.nepadbusinessfoundation.org
United Nations Environment Programme Finance Initiative – Africa Task Force	Seeks to enhance social, environmental, and governance issues in financial institutions' policies and practices	Well established in SA; includes a number of prominent South African representatives. It conducts research and promotes the sharing of best practices. www.unepfi.org/regional_activities/africa

⁷ Cf. www.bullion.org.za, www.caia.co.za

National		
National Business Initiative (NBI)	Alliance of companies formed in 1995	Coordinates projects related to CSI and policy formulation, e.g. in economic and sustainable development. www.nbi.org.za
South African Business Coalition on HIV and AIDS	Business Coalition with a focus on HIV/AIDS	Focuses on providing resources to companies so they can respond effectively to HIV/AIDS. Activities include guidance on prevention, treatment and care, as well as company strategy. www.sabcoha.co.za
Civil Society		
Name	Short description	Main responsibilities/Activities
International		
African Institute of Corporate Citizenship (AICC)	Nonprofit organization, established in 2000	Promotes responsible growth and competitiveness in Africa and supports CSR initiatives in the region. Among others, it hosted two large conventions on African Corporate Citizenship (in 2002 and 2004) and acted as the local liaison body for a number of international CSR-related initiatives. www.aiccafrica.org
National		
BenchMarks Foundation	NGO comprising five Christian organizations.	Its work is premised on a set of principles for responsible business behavior. Aims to promote a climate of ethical and sustainable investment in religious communities, monitor corporations and encourage CSR.
GroundWork	NGO with a particular focus on pollution and environmental justice.	Important contributor to the corporate accountability lobby; called for stricter regulation of TNCs during the World Summit on Sustainable Development in 2002. Maintains strong ties to transnational NGOs that are critical of CSR. www.groundwork.org.za

CSR Public Policy: Instruments and Activities

BEE framework and legislation

The primary engagement of the public sector in the promotion of CSR-related issues has been in the context of the BEE framework. This national framework originated in the passage of the National Black Economic Empowerment Act in 2003 and is implemented by the *DTI*. It combines semi-mandatory and voluntary measures as well as incentive structures. For instance, BEE legislation contains a requirement for companies to include

BEE policies and performance in their annual reports. Companies' compliance with this requirement seems to be relatively good.

In SA, public procurement is based on a rigorous screening process to provide preferential opportunities to BEE-compliant companies. To the extent that BEE overlaps with broader CSR concerns, this is one of the most crucial measures through which the public sector advances CSR. The *Government Employees Pension Fund (GEPF)* has also taken a relatively activist stance and has publicly spoken out against companies that are not

implementing BEE to a sufficient extent.⁸ This active role is likely to have had a significant influence on corporate decision makers. A special *BEE Commission*, set up in 1998, also recommended some form of mandatory investments to support BEE and broader socioeconomic objectives. However, so far the government has not taken up this recommendation.

DTI has recently published a set of codes of good practice for BEE (DTI 2007). In terms of these codes, a “generic BEE scorecard” has been developed to measure BEE within a company. It sets out relevant focus areas in regard to seven components: ownership, management control, employment equity, skills development, preferential procurement, enterprise development and socioeconomic development initiatives. The scorecard operates with a point system that groups firms in different categories of BEE contributors. These generic BEE requirements have been adapted as sector-specific “BEE charters,” e.g. for mining, finance and construction (DTI 2007a). When creating these charters, the government has involved several private actors in multistakeholder negotiations (cf. Hamann et al. forthcoming).

Through all these measures, the government has been fairly successful in making BEE an overarching business concern for most companies operating in South Africa. There are also signs that companies have increased their commitment to CSI and philanthropic initiatives, which are now included in the BEE scorecard in most sectors. Nevertheless, concerns have been raised that the BEE charters are not conducive to fundamental socioeconomic transformations or might even be prejudicial to them (Hamann et al. forthcoming). Thus, the effects of the BEE framework remain contested. Even though BEE policies have contributed significantly to the growth of a black middle class, there is widespread

resentment with regard to the creation of a black elite and fear that the majority of the population is not benefiting from BEE.

a. Mandatory Framework

Apart from BEE legislation, there are no specific legal requirements for CSR. Nevertheless, there is a broad range of laws that do not explicitly establish a link to CSR, but are relevant for business responsibility.

The Promotion of Access to Information Act of 2000, for instance, provides important opportunities to access information held by the public and private sector. The act requires that public and private organizations publish a manual that states how particular forms of information about that organization can be accessed. Another example comes from the mining sector. The Mineral and Petroleum Resources Development Act of 2002 obliges companies to go through a process to obtain new mining licenses, which includes a consideration of BEE performance. Currently, the Companies Act is being revised and the new version is expected to include more explicit reference to corporate governance and CSR-related issues.

It must be noted that the country struggles with the enforcement of some laws. The Protected Disclosures Act, for instance, has largely been ignored (Bertelsmann Stiftung 2006). Capacity deficits also hamper the enforcement of SA’s progressive environmental laws. The South African government has also signed numerous international treaties and conventions that are relevant for CSR, including the ILO core conventions and various treaties relating to the environment or the protection of human rights. However, few national laws have been developed explicitly in response to international agreements.

⁸ This pension fund is also a signatory to the UN Principles for Responsible Investment. Cf. www.unpri.org

CSR-Relevant Legislation (adapted from Hamann et al. 2005, cf. www.gov.za)		
Name	Date	Short Description
National Black Economic Empowerment Act No. 53	2003	Sets out a national framework for the promotion of BEE. Establishes a BEE Advisory Council and empowers the Minister of Trade and Finance to issue codes of good practice, including a scorecard to measure achievement and to promote sector-specific BEE charters.
Mineral and Petroleum Resources Development Act No. 28	2002	Vests all mining rights with the state; requires companies to reapply for permits, with preference given to BEE companies; firms should demonstrate diligence in social and environmental matters, directors may be held liable for environmental damage.
Protected Disclosures Act No. 26	2000	Makes provision for procedures that in both the public and private sector protect employees who disclose information of unlawful or corrupt conduct by their employers or fellow employees. Thus it can be understood as a protection of whistle-blowers.
Promotion of Access to Information Act No. 2	2000	Promulgated to enforce the constitutional right to access to information; it allows access to (almost) all information held by the state, as well as significant types of information held by private persons.
Promotion of Equality and Prevention of Unfair Discrimination Act No. 4	2000	Seeks to prevent and prohibit discrimination and harassment, to promote equality and to eliminate discrimination. While the scope of the Employment Equity Act is limited to the workplace, this act refers to society in general.
National Water Act No. 36	1998	Designates water as a national resource and requires water users to apply for licenses from the state, with an allocation to a basic water right and a natural reserve, including stringent water pollution regulations.
Employment Equity Act No. 55	1998	Seeks to eliminate unfair discrimination in the workplace and implement affirmative action for "designated groups," including black people, women and people with disabilities.
Skills Development Act No. 97	1998	This act requires companies to contribute a percentage of their total payroll to the National Skills Fund, which is controlled by 25 Sector Education and Training Authorities (SETAs). Among other activities, SETAs financially compensate companies for training and skills development programs.

National Environmental Management Act No. 107	1998	Promotes sustainable development, seeks environmental justice and equitable access to environmental resources, promotes public participation in environmental decision-making, protects whistle-blowers, allows for public interest litigation and provides for duty of care and remediation responsibilities, particularly for employers. Importantly, it includes the possibility of directors being held liable for environmental damages.
Labor Relations Act No. 66 of 1995/Basic Conditions of Employment Act No. 75 of 1997	1995 and 1997	Both provide for basic conditions of employment, promote collective bargaining at workplace and sector level and promote employee participation in company decision-making through workplace forums.
Occupational Health and Safety Act No 85 of 1993/Mine Health and Safety Act No. 29 of 1996	1993 and 1996	The former provides requirements for health and safety management systems and standards in the workplace. The latter is focused on the need to reduce the number of fatalities and injuries in the mining industry. It provides for tripartite (labor, business, government) structures at all levels of industry for the purpose of implementing and monitoring health and safety management systems, as well as identifying causes of accidents.

b. Soft Law

Apart from the BEE framework, there is little significant encouragement of voluntary standards by the South African public sector. However, some standards have been encouraged at the sectoral level. For instance, mining companies are usually required to submit a self-audit of their environmental management plans to the government, but these requirements are waived if the company has had ISO 14001 certification (cf. Hamann 2004a).

The guidelines of the *Global Reporting Initiative (GRI)* enjoy some prominence in SA and are considered by some public authorities as a possible framework for reporting. For instance, the *eThekweni* municipality adopted the GRI guidelines for its environmental reporting. Other voluntary frameworks like the Global Compact are more rigorously promoted by business than by government. Some observers argue that government should endorse the principles of the Global Compact, especially when they would apply to South African companies operating in the rest of Africa (cf. Hamann/De Cleene 2005).

An important standard of international renown is the King 2 Report on Corporate Governance in South Africa, which was commissioned in 2002 by the *Institute of Directors (IoD)*, a membership organization of leaders in the private and public sector. In addition to sections on board composition, risk management, auditing and compliance, it includes a far-reaching section on integrated sustainability reporting. The report is widely accepted as best practice in corporate governance and selected parts have been adopted by the *JSE* as a listing requirement. It has to be noted that the initiative only incorporates some public leaders and does not stem from government itself. Also, there are some notable restrictions as to the impact of the King 2 Report (cf. Hamann/De Cleene 2005).

c. Initiatives and Partnerships

As was outlined above, CSR is often understood as CSI in the sense of philanthropic investment. Such investments are supported by the public sector through partnerships. For instance, in the Business Against Crime initiative, public actors and companies combine their resources and expertise for crime prevention. This initiative works in close cooperation with the South African

police service. All in all, the impact of such initiatives is limited due to capacity constraints within the public and private sector.

There are also some issue-specific initiatives. Together with the *African Institute of Corporate Citizenship* and through the *South African Human Rights Commission (SAHRC)*, the public sector is involved in adapting the Danish *Human Rights Compliance Assessment Tool* to the South African context. With regard to the fight against corruption, the public sector also cooperates with business and civil society in the *National Anti-Corruption Forum* launched in 2001. Based on the National Environmental Management Act, the government tried to create Environmental Management Cooperation Agreements to establish voluntary environmental standards and to provide joint mechanisms of implementation. However, these efforts eventually failed due to opposition from civil society and a breakdown of trust between parties. Among other actors, NGOs have been uneasy with the pace of the negotiation process, which has been largely driven by industry, and with the limited levels of public participation (cf. Hamann/Acutt 2003).

At the international level, the government is engaged in the Kimberley Process, an initiative of 46 member states to curb the trade in “conflict diamonds” by establishing

a certification program. The South African government has played a facilitating and convening role for this process. In particular, it chaired the initiative in its first year (DTI 2004).

d. Incentives

Apart from incentive structures in the BEE framework, there are no specific public sector activities, e.g. labels or tax incentives, to promote CSR. Award programs that have the potential to enhance knowledge about CSR are not provided by the government, but stem from the private sector, e.g. the Ernst & Young Excellence in Sustainability Reporting Awards.

e. Awareness

With the public promotion of BEE, awareness of black empowerment has risen. As was mentioned above, the public sector engages in awareness-raising for CSR-related issues through partnerships. In addition, DTI raises knowledge about fair trade by convening the *International Trade Administration Commission of South Africa*. Some ministers also endorse the *JSE's* Socially Responsible Investment Index. The fact that Nelson Mandela's wife Graça Machel is the patron of this index provides endorsement from a prominent person related to the public sector.

Main Instruments and Activities of CSR promotion		
Name	Date	Short Description
Human Rights Compliance Assessment Tool	Current	Danish tool, currently being adapted to the South African context in partnership with the African Institute of Corporate Citizenship and the support of the South African Human Rights Commission. www.humanrightsbusiness.org
International Trade Administration Commission of South Africa	2003	The aim of the commission is to create an enabling environment for fair trade through customs tariff investigations, trade remedies and import and export control. http://www.itac.org.za/
King 2 Report on Corporate Governance in South Africa	2002	Revised edition of a report published in 1994. Among others, it includes a section on annual integrated sustainability reporting of companies' social transformation, ethical, safety, health and environmental policies and practices. http://www.iodsa.co.za/king.asp

National Anti-Corruption Forum	2001	Initiated in 1999, this forum brings together government with business and civil society to prevent and combat corruption, build integrity and raise awareness. It coordinates sectoral strategies against corruption and shares best practices, among other activities. www.nacf.org.za
Kimberley Process Certification Scheme	2000	International initiative to diminish the trade in conflict diamonds. The South African government (through the Department of Mineral Affairs and Energy and the Department of Foreign Affairs) has played a facilitating and convening role for this process. http://www.dfa.gov.za/foreign/Multilateral/profiles/kimberly.htm
Business Against Crime	1996	The organization seeks to support the government's efforts to combat crime by complementing its resources with entrepreneurial, managerial and technological skills from the private sector. http://www.bac.co.za/

■ CSR Public Policy Maturity

While in recent years business and other nonstate actors have made significant progress towards maturity in different dimensions of CSR – such as codification, sustainable reporting and CSI – state actors mainly focus on CSR-related policies that can be regarded as a response to apartheid and the resulting unequal distribution of wealth. Correspondingly, there is a high level of engagement with regard to BEE measures. In spite of manifold activities related to CSR, public politics and policies in SA must be rated as being in the early second generation of CSR public policy maturity, since the government shows low *explicit* engagement for CSR beyond the BEE framework.

The lack of a visible contact person or coordination point for CSR is considered indicative of a public policy that displays little engagement with the issue as such. In addition, the public sector does not evaluate CSR activities apart from various BEE policies. However, some development and application of CSR policy can be observed with regard to other aspects. To the extent that CSR overlaps with BEE, CSR issues have been integrated into the BEE framework. With regard to communication and awareness-raising, there is mid-level

engagement to promote CSR, but, again, such activities are more with regard to BEE.

Finally, there is one aspect in which SA shows considerable engagement, namely, the integration of stakeholders. In addition to various partnerships, *Nedlac* can be seen as an institutional mechanism to consult various stakeholders on policymaking.

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■ Key websites:

- <http://www.nbi.org.za> (National Business Initiative)
- <http://www.aiccafrica.org> (African Institute of Corporate Citizenship)
- <http://www.unisa.ac.za/cc> (Unisa Centre for Corporate Citizenship)

Sweden¹

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Public Policy Rationales

- Enhance international competitiveness
- Enhance international political influence and reputation

Public Policy Activities

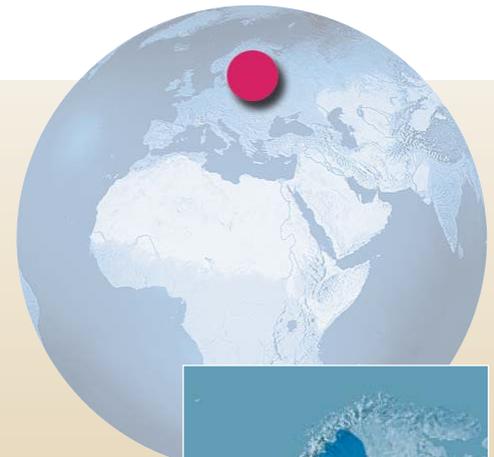
- Mandating: Some laws to ensure transparency, public pensions law, green procurement
- Partnering: High number of cooperative initiatives
- Incentives: Financial assistance
- Awareness raising: Promoting and spreading information on international standards

Public Policy Actors

- Ministry for Foreign Affairs (MFA)
- Several state agencies, e.g. Swedish International Development Cooperation Agency (SIDA), Swedish Agency for Economic and Regional Growth (NUTEK), Swedish Consumer Agency (SCA)

CSR-Relevant Context Factors

-  Export-oriented market economy
-  Closeness of government, civil society and unions; welfare system is challenged
-  Egalitarian society with high human development; integration of "new Swedes" is causing some tensions
-  Focus on cooperation



■ Executive Summary

Profiling CSR

The Kingdom of Sweden is a constitutional monarchy with a democratic system, which grants supreme authority to the country's parliament. Swedish politics have been dominated by the Social Democratic Party from the 1920s until 2006, when a coalition of center-right parties assumed power. By advocating the redistribution of national resources through a combination of public sector control and market economics, the Social Democrats were crucial in the establishment of the Swedish social welfare system. In order to provide resources for considerable social spending, taxes are high, at over 50 percent of GDP. The social welfare state came under pressure in the 1990s when Sweden experienced its worst economic crisis since the 1950s. Slowly, a trend towards private insurance programs and welfare services provided by private actors has become visible. Nevertheless, public services are not contracted out on a large scale.

Despite the crisis in the 1990s, Sweden enjoys good economic growth and can be described as an egalitarian society with low rates of unemployment. Civil society organizations are allocated the role of mediating interests, providing people with a venue for their voices to be heard and serving as "schools for democracy." The relation between state and civil society is one of institutional closeness, also evidenced by the traditional political involvement of the country's trade unions. Swedish society is thus characterized by a conflict-avoiding mentality. Against this background, the tension that arises from the integration of immigrants, the so-called "new Swedes," is causing discomfort in a society that usually is known for its tolerance and transparency.

The tradition of close relations between different parts of Swedish society shapes CSR public politics and policies. CSR in Sweden is also influenced by the country's Scandinavian social welfare system, which ascribes considerable resources to the provision of social services. CSR is not defined as philanthropy; rather, public CSR engagement focuses on enhancing international business competitiveness. The government is rather disin-

¹ Author of this country profile is Susanne Schaller, Institute for Development and Peace, University of Duisburg-Essen.

clined to legislate for CSR and thus to exert its mandating role. CSR is also facilitated by spreading information on international standards and giving financial assistance, e.g. to the Global Compact. CSR-relevant soft law also plays a role as the public sector promotes international standards. Most notably, however, Sweden relies on partnering and collaboration with a remarkably high number of cooperative initiatives.

Although no explicit statements have been made, Sweden uses CSR as a tool to boost foreign trade and thereby to enhance the competitiveness of the national economy. With its strong international engagement at both the political and economic levels, the government strives for the mainstreaming of international standards with regard to CSR issues, which can partly be ascribed to a desire to enhance its international reputation as a normative power.

Navigating CSR

CSR public policy in Sweden can be regarded as considerably advanced and well developed. CSR public policy is thus on the verge of the third generation of CSR maturity. There are no clear responsibilities within government for CSR public policy, however, there is some development with regard to the existence of a coordination point. *SIDA* has formulated a clearly defined CSR strategy, and CSR is also integrated in other strategies, such as those targeting sustainability and aspects of state ownership. As has been explained, the Swedish government engages very much in partnering and

awareness raising and integrates a high number of stakeholders. Furthermore, many public sector activities and instruments exist to promote CSR.

To promote CSR more consistently, the Swedish public sector would need to find a common CSR concept and an overarching strategy that cuts across the country's ministries. To agree on such an approach, it would be necessary to thoroughly evaluate existing strategies as well as public sector instruments and activities. Evaluations would likewise be important to assess the effectiveness of public sector activities and to find out about possible achievements and improvements. To further encourage business to behave responsibly, it would also be important for the public sector to strengthen consumer awareness of CSR. Finally, in keeping with the rather holistic Swedish concept of a "sustainable society", the regional and local levels must be integrated within the public sector agenda to a greater extent than is currently the case.

CSR Public Policy Maturity Level

On its way to third generation:

- CSR policy is fully developed and applied with regard to strategy development, the integration of stakeholders and the number of activities, as well as in the area of communication and awareness raising
- There are some indications for coordination points and evaluation
- There is very little to no engagement with regard to establishing visible competency for CSR

CSR Recommendations

- Develop cross-cutting, clearly defined strategy
- Strengthen domestic CSR approach by expanding CSR to the regional and local level
- Thorough evaluation and assessment of current activities



■ CSR-Relevant Context

Political, Social and Economic System

The Kingdom of Sweden is a constitutional monarchy with a democratic system, which grants supreme authority to the country's parliament. Legislative power is shared between the parliament and government, led by the prime minister, which holds executive power. The judiciary is an independent authority. State ministries are responsible for policymaking while policy implementation is often delegated to state agencies. Sweden's administrative system is rather centralistic, with 21 regions being subject to a regional board appointed by the national government. The public administration is marked by transparency and openness (APPSI 2005).

Swedish politics have been dominated by the Social Democratic Party from the 1920s until 2006, when a coalition of center-right parties came to power. By advocating the redistribution of national resources through a combination of public sector control and market economics, the Social Democrats were crucial in the establishment of the Swedish social welfare system, a "social-democratic welfare state regime" (Esping-Andersen 1990: 27f). This type of regime is characterized by large government welfare programs, universal civil rights and the promotion of equality in terms of highest standards, not minimal needs (Wijkström 2004: 8). The key areas of Sweden's social welfare policies are health care, education, social services and unemployment. There is also much regulation in respect to the environment (Lenssen/Vorobey 2005: 362). Taxes are high to provide resources for the country's considerable social spending. Since 2000, Sweden has had the highest tax revenue of all OECD countries, at over 50 percent of GDP (OECD 2006). The social welfare state came under pressure in the 1990s when Sweden experienced its worst economic crisis since the 1950s, which entailed high unemployment rates and a welfare reform that brought about cuts in pensions, unemployment insurance and health. Slowly, a trend towards private insurance programs and welfare services being provided by private actors has become visible (Abrahamson 2003: 15ff). Nevertheless, public services have not been contracted out on a large scale.

Despite the crisis in the 1990s, Sweden enjoys good economic growth and can be described as an egalitarian society with low rates of unemployment. The country is known for high rates of women's participation in the labor market and in politics. The low level of income inequality is illustrated by a low Gini coefficient of 25.0. Of all the countries covered in the UNDP Human Development Report, Sweden is among the four most equal countries and its human development index is higher than the OECD and world averages (UNDP 2006). In spite of the generally harmonious and stable composition of Swedish society, the integration of the so-called "new Swedes," immigrants with a Swedish passport, is somewhat challenging to a society that takes pride in its traditional tolerance and transparency.

Sweden has an export-oriented market economy and a highly skilled labor force, with the export sector being the main engine of economic growth. Partly as a result of its neutrality during the world wars, Sweden has achieved a high standard of living under a mixed system of high-tech capitalism and extensive social welfare benefits. Timber, hydropower and iron ore constitute the economy's resource base (cf. CIA 2007). Sweden's industry is mainly in private control, with publicly owned enterprises being of minor importance. Small and midsized enterprises (SMEs) make up more than 99 percent of all enterprises (Buhr/Hermansson 2004: 31).

Relationship Between Economy, Society and Government

Swedish society is said to be based on a so-called "silent social contract," or a special division of labor between different sectors (Wijkström 2004: 10). The state is responsible for healthcare, social services and education, whereas corporations are expected to control the dynamics of international trade and commercial arrangements within the market. Civil society organizations are allocated the role of mediating interests, providing people with a venue for their voices to be heard and serving as "schools for democracy." The relationship between the state and civil society in Sweden is one of institutional closeness, which entails a strong focus on consensus building. Policymaking in Sweden has thus been characterized as "democratic corporatism," with an extensive system of organized interest groups which consult with each other (Hudson 2005: 318).

Facts and Figures		Source
GDP annual growth rate	2.7% (2005)	WB
Import of goods and services	38% of GDP (2004)	UNDP
Export of goods and services	46% of GDP (2004)	UNDP
Public expenditure on health	8.0% of GDP (2003/2004)	UNDP
Public expenditure on education	7.0% of GDP (2003/2004)	UNDP
Corruption Perception Index	9.2 (2006)	TI
Gini Index	25.0% (2000)	UNDP
Gender Equity Index	89 (2007), top of the ranking	Social Watch
Total Tax Revenues	50.4% of GDP (2004)	OECD
FDI outflows	57.0 billion US\$ (2006)	OECD

The tradition of consultation is also reflected in long-standing political involvement of the country's trade unions, e.g. in the creation of the social welfare state through intense cooperation with the Social Democratic Party (Buhr/Hermansson 2004: 31f). Swedish unions emerged from the labor and trade union movement, one of the "popular movements" (folk rörelserna). As the most important civil society organization in Sweden, they are characterized by an active membership, transparency and good access to public policymaking (Wijkström 2004: 11). While most Swedish civil society organizations are active in the areas of culture and recreation, in the 1960s new social movements emerged that concentrated on the issues of environmental protection, gender equality and peace. In the 1980s and 1990s, several new human rights and environmental groups appeared. However, it is unclear whether these new organizations can crucially influence policymaking. With regard to CSR, it appears that NGO pressure is not as substantial as, for instance, in the UK.

Swedes are characterized by a conflict-avoiding mentality, which tends to create an atmosphere of conformity (De Geer et al. 2003: 182). The central concept of Swedish society is described as "mutual adaptation by consensus building" (Lenssen/Vorobey 2005: 362), with a strong tendency towards participation, cooperation and solidarity. Consequently, some authors attribute to Swedish firms a tradition of a collectivist organizational culture.

Development of CSR Public Policy

As explained above, the Swedish state still provides extensive welfare programs and rarely contracts services out to private actors. Consequently, public CSR politics and policies do not refer to corporations as philanthropists or as providers of social welfare services, but instead focus on enhancing the competitiveness of Swedish enterprises and the promotion of norms and standards. As the Swedish market is clearly export-oriented and the export sector is the main engine for economic growth, CSR promotion is mainly associated with the *MFA*². One of its goals is to encourage CSR as a factor in enhancing free trade and international competitiveness. Normative goals also play a relevant role within the development of Swedish CSR promotion. These goals are pursued with a strong sense of voluntarism rather than with a focus on mandatory regulation.

Societal aspects are also important in terms of explaining the overall picture of public CSR promotion in Sweden. Against the background of the traditional closeness of government, trade unions and civil society, the high number of PPPs and cooperative initiatives in the realm of CSR is not surprising. Most of the measures to encourage CSR include participative structures or are conceptualized as coalitions of different actors from different sectors. This might also be related to Swedish society's already mentioned cultural trait of consensus building and the tendency towards participation, group cooperation and solidarity.

² <http://www.sweden.gov.se/sb/d/574/a/70168;jsessionid=aJlDyHJvQOxc>

CSR Policy Rationale

As a country whose highly developed economy relies on export, Sweden uses CSR as a tool to boost foreign trade and, as a result, to enhance the competitiveness of its national economy. With its strong international engagement at both the political and economic levels, the government strives for the mainstreaming of international standards with regard to CSR issues, which can partly be ascribed to a desire to enhance its international reputation as a normative power.

■ CSR Situation

CSR Public Policy: Understanding, Strategy

Sweden began to engage in CSR activities earlier than most other countries and is therefore highly regarded among international experts (Hamm 2004: 18; Bertelsmann Stiftung 2006). According to a survey conducted in 2003 by CSR Europe, Sweden was identified as the second most progressive country in respect to CSR after the UK. In terms of issues, the focus is rather broad and comprises both social and environmental aspects.

However, there is no consistent CSR definition used across ministries. The *MFA* (2004: 1) only states that Swedish CSR policy is “based on international conventions and policies regarding human rights, core labor standards, environment and corruption” and links an active trade policy with a foreign policy “for greater openness and freer trade.” It also underlines the importance of human rights and sustainable development.

The only explicit position paper on CSR was published in May 2005 by *SIDA*³. These quite encompassing policy guidelines on CSR distinguish Sweden from many other European countries, even though no evaluations of their implementation exist to date. *SIDA* ascribes itself an important role in promoting CSR, e.g. through facilitating the creation of an enabling environment, participating in international policy initiatives and facilitating multi-stakeholder dialogues and partnerships. *SIDA*'s promotion of responsible business practice focuses on human rights, core labor standards, environmental development and corruption, as well as conflict prevention and reso-

lution. In other words, both economic and political aspects play key roles in the formulation of the guidelines. The policy guidelines also comprise an action plan with proposed measures, such as initiating research on CSR and supporting Global Compact networks worldwide. It also states that *SIDA*'s procurement process takes human rights and green procurement into consideration. An earlier report by Moberg (2004) on behalf of *SIDA* shows that the agency is indeed involved in many CSR-relevant activities promoting responsible business without explicitly labeling them as such.

Apart from this position paper, governmental CSR promotion can be regarded as being an integral, if implicit part of Sweden's strategies on sustainable development (Buhr/Hermansson 2004: 32). These strategies put forward an encompassing vision of a “sustainable society,” based on economic growth, welfare and cohesion, combined with a good environment (Lundqvist 2006: 4). Sustainable development is promoted at an international level, as outlined in Sweden's Policy for Global Development, and at the national level, according to A Swedish Strategy for Sustainable Development⁴. Both policy papers include paragraphs on business responsibility. According to the former, business should be encouraged to further integrate social and environmental aspects into their international trade relations. One important objective mentioned in the strategy is that Sweden has to avoid losing international competitiveness due to weak regulations in poor countries (MFA 2006: 59). The *Ministry of Environment (ME)* claims in A Swedish Strategy for Sustainable Development that business contributes to sustainable development “by being competitive” (ME 2004: 8). It also states that company management should ensure that business operations are conducted in a social and ethical manner, based on the principles of international conventions and guidelines. The integration of business responsibility within the strategies of sustainable development ensures that CSR issues are not tackled as isolated aims, but are integrated into a holistic approach. Nevertheless, it has been criticized in the past that the government plays too passive a role when it comes to the coordination of stakeholders within the sustainable development strategy (The Nordic Partnership 2003: 7).

In addition, the Swedish government integrates CSR aspects into its policy towards state-owned companies. A policy paper by the *Ministry of Enterprise, Energy and*

3 <http://www.sida.se/?d=118&a=3494>

4 http://www.sweden.gov.se/sb/d/574/a/25275;jsessionid=aENSGX_x3EL_

Communications (MEEC) in 2005⁵ emphasizes that companies have responsibility in matters concerning financial, ecological and socially sustainable development and suggests that companies operating in foreign countries with weak standards should draw up a code of conduct.

information and arranges counseling, networking and in-house training; it also organizes seminars that are open for NGOs and trade unions. Responsibility rests with the *MFA*; cooperation with the *MEEC*, the *ME* and *SIDA*.

CSR-Relevant Strategies and Policy Papers		
Name	Date	Description
Sweden's policy for global development	2006	Includes strategies on sustainable development. States that the contribution of Swedish investments and trade to equitable and fair global development in developing countries should be strengthened. Methods: financial backing of the Global Compact, support of ISO, PPPs, seminar at the WTO (MFA 2006).
Guidelines for SIDA's support for corporate social responsibility	2005	SIDA sees its role in promoting CSR through facilitating the creation of an enabling environment, multistakeholder dialogue and partnerships, endorsing good practices, participating in international policy initiatives on CSR and promoting capacity building. Examples of SIDA's activities: organizing learning events, initiating research and supporting Global Compact's local networks and Transparency International's local chapters (SIDA 2005).
State ownership policy	2005	States that companies should have an ethical and environmental policy and should set an example in gender equality at work. The policy states that companies that are active in and/or have procurement bases in countries with deficiencies in the areas of human rights, working conditions, environmental considerations and combating corruption should develop a code of conduct. (MEEC 2005).
A Swedish Strategy for Sustainable Development	2004	States that the business sector contributes to sustainable development by generating growth without compromising the environment or human resources and that corporate management should ensure that business operations are conducted in a responsible and ethical manner in accordance with internationally agreed conventions and guidelines (ME 2004).

CSR Public Policy: State Actors

One of the most important comprehensive steps of Swedish Government has been the creation of *Globalt Ansvar*⁶, an initiative to encourage Swedish companies to become ambassadors for human rights, anticorruption efforts, decent social conditions and a sound environment. Its secretariat produces research, disseminates

Due to its "showcase" CSR project, *Globalt Ansvar*, public responsibility for CSR issues has often been associated with the *MFA*. Over the last years, the *MFA* and *SIDA* as well as several ministries have more actively included CSR rhetoric in their cross-cutting work on sustainable development. However, within the government, there seems to be no clear distribution of responsibilities with regard to CSR in particular (Buhr/Hermansson

⁵ <http://www.regeringen.se/sb/d/2025/a/50830>

⁶ <http://www.regeringen.se/sb/d/2657/a/42275>

Selected CSR State Actors		
Name	Description	Main Responsibilities/Activities
Ministry for Foreign Affairs (MFA)	Public authority for foreign affairs	Responsibility for Globalt Ansvar and the OECD guidelines. www.sweden.gov.se/sb/d/2059
Swedish International Development Agency	Public authority for development cooperation	Comprehensive CSR promotion, supports Global Compact networks, various PPPs and the Globalt Ansvar. www.sida.se/sidal/jsp/sida.jsp?d=121&language=en_US
Swedish Agency for Economic and Regional Growth (NUTEK)	Public authority for enterprise and regional development	Promotes sustainable growth in the country. Offers financing, information and advice, and supports environmental responsibility, especially in SMEs. www.nutek.se
The Swedish Consumer Agency (SCA)	State agency engaged in consumer affairs	Promotes awareness of CSR among consumers and NGOs. Supports stakeholder dialogues; produces training material, books and surveys. www.english.konsumentverket.se

2004: 32f). Despite this, the increasing involvement of several public bodies shows that CSR is progressively set as a relevant theme in different policy areas. There are also signs for increasing cooperation between ministries, i.e. the creation of an informal working group to raise awareness on *Globalt Ansvar* and the OECD guidelines in government offices (MFA 2006b). Regions and municipalities are also involved in some partnerships. On the whole, however, the main responsibility for CSR promotion seems to rest at the national level.

Apart from the ministries and *SIDA*, two major state agencies engage in CSR promotion and are the main financial supporters of CSR in Sweden. *NUTEK* plays a central role in providing support for Swedish SMEs and has run several programs associated with CSR. The *SCA* promotes awareness of CSR through training materials and the organization of roundtables with stakeholders (EC 2004: 34). Among others, it has copublished a book with *SIDA* titled *Ethics and Trade* (Energidalen 2005: 3).

CSR Public Policy: Nonstate Actors

There are various Swedish nongovernmental actors promoting CSR. Trade union organizations like the

Trade Union Confederation (LO) or the *Confederation for Professional Employees (TCO)* promote labor and human rights standards, which are relevant issues for CSR development in Sweden. Through its international committee and by offering education programs, *LO* promotes the OECD guidelines⁷ (MFA 2006b). *TCO* issues quality and environmental labels for various products and promotes production that is more environment-friendly. Both unions participate in the *Labor Market Dialogue (LMD)*, which focuses on a number of issues including human rights and enters into dialogue with partners in developing countries. *LMD* derives its basic funding from *SIDA*.

Swedish global corporate players enjoy a solid reputation for their sustainability and CSR management. Companies like *Volvo* or *ABB* are often cited as good examples for an integrated, business-led CSR approach. Corporate culture and a positive identification with the workplace are important factors for Swedes and have been so for a while. A key Swedish network of CSR-minded companies is *CSR Sweden*⁸.

In addition to core CSR in companies, there are several business or business-NGO coalitions raising awareness of CSR, e.g. *The Nordic Partnership* and *Swedish Jobs &*

7 <http://www.regeringen.se/content/1/c6/01/45/56/8d2ecf88.pdf>

8 <http://www.csrsweden.se>

Society. The *Swedish Standards Institute (SIS)* offers training and consultation and promotes ISO standards. Increasingly, Swedish companies are using the *Global Reporting Initiative (GRI)* reporting framework (Hedberg/von Malmberg 2003).

NGOs active in the field of CSR are the *Amnesty Business Group (ABG)*, *CSR Sweden* and *Swedwatch*, all of which engage in awareness raising by holding seminars and

disseminating information. Among others, ABG conducts an annual business rating of 150 companies on human rights risk management.

Regarding socially responsible investment (SRI), the research provider *GES Investment Services* is an important actor in Sweden. Among other areas, it analyzes companies' sustainability performance. Furthermore, it has created an index family of sustainable and ethical

Selected CSR Nonstate Actors		
Name	Short description	Main Responsibilities/Activities
Trade Unions		
Swedish Trade Union Confederation (LO)	Comprises 15 affiliates, which organize workers within the private and the public sectors	Focuses on labor market and industrial relations, human rights, economic growth and a fair distribution of resources. www.lo.se ; www.lmd.se
Swedish Confederation for Professional Employees (TCO)	Comprises 17 affiliated trade unions	Issues quality and environmental labels and incentivizes companies to produce environment-friendly products. www.tco.se
Business Actors / Coalitions		
Swedish Jobs & Society	Partner organization of CSR Europe	Offers advice, holds theme days, gives lectures and publishes reports on various topics. Involved in the CSR Campaign, has created CSR Sweden. Financially supported by NUTEK. www.jobs-society.se
The Nordic Partnership (in operation from 2001-2005)	NGO business network, founded by WWF, media and corporations in the Nordic region	Worked to provide input into policy processes, developed sustainability competencies, and raised awareness among business as well as NGOs on sustainability issues. Organized roundtables, conferences and conducted research. http://www.wwf.dk/f6000c
Swedish Standards Institute (SIS)	Member-based nonprofit association, mainly for companies	Supports environmental standards and offers training and consultation. Cooperates with the African Regional Standards Organization in a capacity-building project, which is supported by SIDA. www.sis.se

Civil Society		
Amnesty Business Group	Part of the Swedish section of Amnesty International	Conducts the Amnesty Business Rating (ABR), an annual survey of Sweden's approx. 150 largest companies. The survey measures to what extent the companies expose themselves to the risk of violating human rights and how they manage that risk. www.amnestybusinessgroup.se
SwedWatch	NGO with several member organizations, i.e. Church of Sweden and Fair Trade Center	Focuses on environmental and social concerns in different sectors. Conducts field studies and publishes reports about companies, which are spread through newsletters, press releases and the website. Financed by SIDA. www.swedwatch.org
CSR Sweden	National partner of CSR Europe; business network to foster CSR	Organizes seminars, conferences and promotes the European Roadmap for Business. www.csrsweden.se
Research Institutes		
GES Investment Services (previously Caring Company)	Research provider for socially responsible investment; part of the SiRi Group Network	Offers analyses of companies' sustainability performance and provides sustainable and ethical indices on the Nordic market. Services are based on the principles of the Global Compact, the OECD Guidelines for Multinational Enterprises and ILO conventions. www.ges-invest.com

indices.

CSR Public Policy: Instruments and Activities

a. Mandatory Framework

There are some laws that encourage responsible business behavior by ensuring transparency. Since the Accountants Act (1999), companies of a certain size are required to include information on their environmental impact in their annual financial accounts (Fombrun 2005: 10). Moreover, according to the Public Pension Funds Act (2002), national pension funds must draw up an annual business plan that describes how environmental and ethical considerations are taken into account (EC 2004). Although it remains unclear as to who can access these reports and thus monitor business behavior, both laws have enhanced transparency concerning the behavior of companies and funds. Some direct

impact can also be observed, as in 2001 the biggest public pension fund *Sjunde AP-fonden* took 30 companies out of its investment portfolio because of the violation of environmental and social standards (Szczesny/Wilhelm 2005: 18). Furthermore, prescriptions for public pension funds in Sweden have apparently stimulated competition in regard to sustainability between different funds and have encouraged SRI of private pension funds and other institutional investors (Szczesny/Wilhelm 2005: 18f). The Public Pension Funds Act might have real potential to stimulate SRI, since public pension funds are regarded as the "most important actors on the Swedish SRI market" (Sjöström 2004: 12). Not considering this potential, Sweden is already one of the four European countries with the highest growth in regard to SRI (Avanzi SRI Research 2006: 6).

CSR-Relevant Legislation		
Name	Date	Short Description/Reference
Public Pension Funds Act	2000	National pension funds must draw up an annual business plan that describes how environmental and ethical aspects are considered in investment activities and the impact of such considerations on funds management. Funds may not own shares in companies that violate environmental and ethics policies (EC 2004: 34; UNEP 2005: 490).
Accounts Act	1999	All enterprises have to present an environmental report in their yearly balance (Fombrun 2005).

b. Soft Law

The Swedish government explicitly endorses the guidelines of the Global Reporting Initiative (GRI)⁹ and supports standardization of ISO¹⁰. In addition, the public sector is very active in promoting the OECD Guidelines for Multinational Enterprises through the *National Contact Point (NCP)*. Led by the MFA, the NCP is a tripartite body with representatives from the government, business and labor, and also cooperates with NGOs. It has produced a handbook that is given to any company seeking some form of government subsidy or grant (MFA 2006a) and to embassies in developing countries (Hamm 2004: 33). In addition, the *Swedish Export Credits Board* provides its customers with information about the OECD guidelines, the OECD Convention on Bribery and *Globalt Ansvar* (EC 2004: 35).

OECD Watch, a transnational NGO network that monitors how governments implement the OECD guidelines and which is generally very critical of the work of NCPs, presents the *Swedish NCP* as a positive example that could serve as role model for other countries. The publication of annual reports by the *Swedish NCP* on the website and the interministerial composition of the contact point are considered as being among its strengths (Feeney 2005: 21, 28). *OECD Watch* also ascribes a proactive and innovative approach to the Swedish NCP when dealing with complaints. In one case, the NCP called upon the respective Swedish companies to inform their subcontractors in Ghana about the OECD guidelines, even though it was ultimately argued that there was no code violation (Feeney 2005: 24; Hamm 2004: 30).

c. Initiatives and Partnerships

Sweden is rather disinclined to legislate for CSR, but sees its role in advocating CSR through promotional initiatives and partnerships (Social Funds 2006). The government often prefers to engage in dialogue with the business community to strengthen the integration of sustainable development concerns into company operations (ME 2004: 17). The Swedish embassy in Beijing, for instance, has carried out various activities to improve dialogue between Swedish and Chinese companies and public agencies on CSR issues (MFA 2006: 49).

The most well-known CSR project of the Swedish government is *Globalt Ansvar*, which was launched in 2002 by the Swedish prime minister. Swedish companies can join the initiative by stating that they support and strive to comply with the principles of the Global Compact as well as the OECD guidelines. Companies have to report on the way in which they implement the guidelines and principles (EC 2004: 34). Amongst the goals of the initiative is the promotion of human rights and sustainable development, but also the strengthening of the competitiveness of Swedish companies (MFA 2004, 2006c).

The partnership is unique in its way of practically integrating the principles of the Global Compact and the OECD guidelines on a national basis (Hamm 2004: 21, 32). According to a study of *OECD Watch*, *Globalt Ansvar* is mentioned as a reason why Sweden is ranked among the most important actors worldwide with regard to the promotion of the OECD guidelines (Feeney 2005: 18). Furthermore, the initiative enhances the transparency of business activities through the reporting requirement for its 18 associated corporate members. Yet, transparency would be further enhanced if those reports

9 <http://www.regeringen.se/sb/d/2025/a/50830>

10 <http://www.sweden.gov.se/sb/d/574/a/70168;jsessionid=aJlDyHJvQOxc>

were published on the government's website, which is currently not the case. The only available documents are statements of affiliation, which provide scant information about the respective company's activities. Also, trade unions and NGOs seem to participate only sporadically in the partnership.

Globalt Ansvar is not the only example of the government's engagement in PPPs to promote CSR-related issues (cf. Moberg 2004). A very recent example is the *Government's Commission on Sustainable Development*,

which was set up in March 2007 and aims at strengthening cooperation between different actors and deepening research on sustainable development.

Examples with a more local/regional focus are the alliance *Framtida Handel* between companies, local authorities, regions and the government, which works on sustainable trade, and *Bygga Bo Dialogen*, a cooperation between the government, municipalities and companies to further the sustainable building sector.

Main CSR Partnerships		
Name	Date	Short Description/Reference
The Government's Commission on Sustainable Development	2007	Advisory body to strengthen cooperation and analyze issues related to sustainable development. Comprises representatives from the business sector, NGOs, research institutes and politics, i.e. the Swedish prime minister, the minister of the environment and the minister of finance. http://www.sweden.gov.se/sb/d/2164/a/79153
Bygga Bo Dialogen	2003	Cooperation between companies, municipalities and the government with the purpose to promote a sustainable building and property sector in Sweden. http://www.byggabodialogen.se/EPI/Server/templates/Page.aspx?id=123
Framtida Handel	2003	Alliance between companies, local authorities, regions and the government, designed to achieve sustainable development of trade in convenience goods at all stages of the supply chain. Involved ministries: ME, MEEC and the Ministry of Agriculture. http://www.framtidahandel.se/index.php?dir=27
Globalt Ansvar (Swedish Partnership for Global Responsibility)	2002	Initiative to encourage Swedish companies to become ambassadors for human rights, anti-corruption, decent social conditions and a sound environment. Its secretariat produces research, disseminates information and arranges counseling, networking and in-house training. Organizes seminars that are open for NGOs and trade unions. Responsibility rests with the MFA; cooperation with MEEC, ME and SIDA. http://www.regeringen.se/sb/d/2657
OECD National Contact Point	1976	Tripartite Body with representatives from the Swedish government, business and trade unions. Led by the MFA in cooperation with the Ministry of Industry and Trade and ME. Has produced a handbook on the guidelines to increase company knowledge about them. http://www.regeringen.se/sb/d/5467/a/14556

d. Incentives

The Swedish government does not set direct incentives to stimulate responsible business behavior. Nevertheless, companies can improve their reputation when partnering with the government, and PPPs can therefore be understood as providing indirect incentives.

e. Awareness

The Swedish public sector spreads information about CSR topics within the aforementioned cooperative partnerships. However, the final influence of these awareness-raising measures is difficult to measure and cannot be separated from the influence of activities of the non-state sector.

Sweden also engages in the promotion of business responsibility and sustainable development at the international level, most notably through the promotion of international instruments such as the OECD guidelines (Buhr/Hermansson 2004: 34). For instance, in March 2004, the MFA convened an international conference on “Development cooperation and CSR” in Stockholm in cooperation with the International Institute for Environment and Development, the International Business Leaders Forum, SIDA and the World Bank (Fox/Prescott 2004). At the WTO ministerial meeting in Hong Kong in December 2005, the Swedish government hosted a side event on “the responsible competitiveness of countries and companies in a globalized world” (MFA 2005). Sweden’s promotion of international instruments is further illustrated by the fact that it is among those countries that make the largest financial contribution to the Global Compact (Moberg 2004). The distribution of the handbook of the OECD guidelines among companies is also a relevant tool for awareness raising. In the long run, Sweden’s international engagement may well be conducive to the mainstreaming of international standards through the spreading of norms.

As most European countries, Sweden supports eco- and fair-trade labeling. A more specific approach in this field was carried out in Sweden by SIDA in cooperation with *Fairtrade Labelling Organisation International* and *Social Accountability International (SA 8000)*. The project *Social Accountability in Sustainable Agriculture* aims at promoting agricultural products worldwide with a CSR background.

■ CSR Public Policy Maturity

As the above analysis shows, CSR public policy in Sweden can be regarded as considerably advanced and well developed and therefore in the second to third generation of public policy maturity. SIDA has formulated a clearly defined CSR strategy and CSR is also integrated in other strategies, such as those targeting sustainability and aspects of state ownership. As has been explained, the Swedish government engages extensively in partnering and integrates a high number of stakeholders. Furthermore, there is evidence for much public sector activity and for the deployment of a number of sophisticated instruments to promote CSR. Crucially, CSR public policy is also promoted by the Swedish government at not only the national, but also at the international level. There is some development and application of CSR policy with regard to the existence of a coordination point and evaluation. An increasing number of public sector actors have taken up the issue of CSR, and there is some cross-ministerial coordination by means of an informal working group.

However, there are as yet no clear responsibilities within government for CSR-specific public policy, and the government undertakes no visible evaluations of CSR activities.

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United Kingdom¹

Public Policy Rationales

- Enhance international competitiveness through promoting CSR as a business case
- Create cross-sectoral synergies to achieve policy goals

Public Policy Activities

- Mandating: Reporting and increasing transparency through soft forms of regulation
- Partnering: Participating in numerous PPPs
- Incentives: Setting incentives, funding and supporting CSR

Public Policy Actors

- Department for Business, Enterprise and Regulatory Reform (BERR)
- Department for International Development (DFID)

CSR-Relevant Context

-  Highly integrated market economy
-  Hybrid model of welfare state (liberal and social democratic)
-  High level of autonomy of societal actors
-  Political, economic and civic culture is based on competition



Executive Summary

Profiling CSR

The UK is a constitutional monarchy, which forms the basis of a modern, competitive, parliamentary democracy, characterized by a high degree of rivalry between political parties. In the post-World War II and post-Empire era, British politics and policies were marked by a basic consensus between the Labour Party and the Conservatives regarding two core elements of domestic politics. The one was the alignment and improvement of the standard of living in the UK. The other one was the reconstitution of the competitiveness of the economy. One manifestation of this common policy was the extension of the UK social welfare state with a strong role for trade and other unions. Until the mid-1980s, this so-called “mixed economy” was based on the interplay of public and private enterprises. Since the 1980s, the UK’s economy has corresponded to the Anglo-Saxon model of capitalism, focusing on the principles of liberalization, free market economy, low taxation and deregulation. The Labour government under Prime Minister Tony Blair subsequently installed a new type of welfare state by adopting some elements of the social democrat-

ic model that prevails in Scandinavian countries. Today, the British social welfare system is described as a hybrid model combining the economic capacity and flexibility of a liberal state with the social assurance and equity of the social democratic model of a welfare state. The UK can be described as having a pluralistic civic culture, which is based on communication and persuasion as well as on consensus and diversity. The existence of a strong civil society can be taken as an indicator of the participative element of the UK’s civic culture, which is reliant on a number of autonomous societal actors.

Compared to other European Union member states, the United Kingdom is considered to be among the nations where corporate social responsibility (CSR) is most advanced. This may be partly due to the fact that, as drivers of CSR, business and government interact and reinforce each other. The main public sector actors shaping CSR in the UK are the *Department for Business, Enterprise and Regulatory Reform (BERR)* and the *Department for International Development (DFID)*. *Business in the Community (BITC)* and the *Corporate Responsibility Coalition (CORE)* are the most important private sector actors. The public actors’ activities are focused on enabling and facilitating the CSR-relevant

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behavior of private actors. There are a number of instruments that are deployed in order to implement CSR, such as laws regarding reporting duties, (multistakeholder) initiatives and public-private partnerships (PPPs), both at the national and the international level. Other instruments try to influence CSR by setting incentives and raising awareness.

Given the high level of the integration of the UK economy within the global economy, as well as the UK's hybrid governance model, the two most important rationales guiding British CSR policy are the enhancement of cross-sectoral cooperation and the fostering of an understanding of CSR as a business case. These policy aims are addressed mainly in the fields of social, economic and development policy.

Navigating CSR

The maturity level of the UK's CSR politics and policies has to be seen as comprehensively developed. There is a clearly defined responsibility for CSR and an overall strategy, with cooperation among departments and integration of stakeholders, as well as a wide range of CSR activities. The major reservation would be the government's CSR policy, which does not seem to be systematic. Thus, the UK can be seen as having a developed and implemented CSR policy, and as being in the third generation of maturity.

Concerning the future development of the UK's CSR policy, two main areas for further progress can be identified. First, efforts should be made to realize the full potential of existing instruments, especially in the areas of green procurement, enforcement of CSR reporting and evaluation of CSR activities. Second, having developed a very encompassing CSR policy, the UK government could engage more intensively and lead the way for further advances of CSR policy on the global level.

CSR Public Policy Maturity Level

Third generation:

- Clear competencies are in place, along with well-developed strategies, a high level of coordination among ministries, a high level of stakeholder integration and a number of CSR activities
- Only some forms of evaluation take place

CSR Recommendations

- In order to maintain the position as a public policy model for CSR, efforts should be made to deepen existing activities, especially regarding green procurement and CSR evaluation
- The government should be more active with regard to the development of CSR at an international level



■ CSR-Relevant Context

Political, Social and Economic System

The UK is a constitutional monarchy, which forms the basis of a modern, competitive, parliamentary democracy, characterized by a high degree of rivalry between political parties. In the UK, parliamentary democracy means, first, that the head of state is generally not involved in the legislation process, second, that the members of government are usually also members of parliament and elected by the parliament and, third, that parliament controls government and vice versa through the vote of no confidence and the right of dissolution. In general, the first-past-the-post principle of the UK's voting system by which the candidate attracting the most votes in an electoral district becomes member of parliament leads to a majoritarian government. The UK's legal system is based on precedent and is typical of common-law systems. There is no codified constitution; rather, the constitution is based on traditional customs and on discrete pieces of constitutional law. However, constitutional change is under way, given the UK's deepening integration into the EU.

In the post-World War II and post-Empire era, British politics and policies were marked by a basic consensus between the Labour Party and the Conservatives regarding two core elements of domestic politics. The first was the alignment and improvement of the standard of living in the UK, with the second being the reconstitution of the competitiveness of the economy. One manifestation of this common policy was the extension of the UK social welfare state to include a strong role for trade and other unions. The government did not only use economic stabilization policy to avoid economic crises but was also engaged in controlling prices and wages. Until the mid-1980s, this so-called "mixed economy" was based on the interplay of public and private enterprises.

Since the 1980s, the UK's economy has corresponded to the Anglo-Saxon model of capitalism, focusing on the principles of liberalization, free market economics, low taxation and deregulation. In trying to disburden the economy from the noncompetitive structures of the post-war era, to foster the initiative of businesses and to tap the potential of individuals, the Conservative government under Prime Minister Margaret Thatcher trans-

formed the mixed economy to a nearly exclusively market-oriented one by means of a comprehensive policy of privatization. Accordingly, until the end of the Thatcher era in 1997, the country's social welfare state can be described as a liberal one, marked by the predominance of individual responsibility, market forces and narrow social coverage (Esping-Andersen 1990: 26f). Part of Thatcher's neoliberal course was the dramatic curtailing of the unions' power, for example by outlawing solidarity strikes and picketing.²

The Labour government under Prime Minister Tony Blair subsequently installed a new type of welfare state by adopting some elements of the social democratic model that prevails in Scandinavian countries. Today, the British welfare state is described as a hybrid model combining the economic capacity and flexibility of a liberal state with the social assurance and equity of the social democratic model of a welfare state (Pearce/Dixon 2005: 2).

Relationship Between Economy, Society and Government

After its victory in 1997, the Labour Party intended to combine the potential of the private sector with societal objectives such as social justice, thereby reconciling societal extremes. This policy is known as the Third Way. The notion that social problems were not to be resolved by the state alone can also be understood as reaction to existing governance gaps. Individuals, families, social groups, communities and interest groups were to be enabled to support themselves and support each other. The role of the state is understood only to formulate broad strategies, with the aim of guaranteeing its citizens the greatest equality of opportunity possible. This approach highlights the responsibility of societal and especially of business actors.

The relationship between government, economy and society can be grasped by the quality of the democratic system and thus by a country's political culture. The UK can be described as having pluralistic civic culture, which is based on communication and persuasion, on consensus and on diversity. Kingdom (2000: 15) emphasizes that citizens are highly interested and trust in the governmental system; they prefer – independent of political reality – a strong government and in general respect the political class. The existence of a strong civil

² <http://www.greenleft.org.au/1998/334/20287>

Facts and Figures		Source
GDP	1978.8 billion US\$ (2005) 1903 billion US\$ (2006 est.)	OECD CIA
GDP annual growth rate	1.9% (2005) 2.7% (2006 est.)	OECD CIA
Import of goods and services	28% of GDP (2004)	UNDP
Export of goods and services	25% of GDP (2004)	UNDP
Corruption Perception Index	8.6 (2006)	TI
Gini Index	36% (1999)	UNDP
Gender Equity Index	74 (2007)	Social Watch
Public health expenditure	8.4% of GDP (2005)	OECD
UK-based transnational corporations (TNCs) among world's top 50 nonfinancial TNCs	7 (2001)	UNCTAD
Location intensity of the largest 100 TNCs ³	91.0 (2006)	UNCTAD
FDI inflow	139.6 billion US\$ (2006 est.)	OECD

society can be taken as indicator for the participative element of the UK's civic culture. Traditionally, civil society engagement and activities were directed towards delivering social services, especially to the poorer parts of society. A major concern of the emerging strong labor movement during Victorian times was to create fair labor conditions. Moreover, the relationship between business and ethics is deeply rooted in British society and continues to be promoted inter alia by the Church of England, which demands, for instance, that investments should avoid the "promotion of sin" (Sparkes 2002: 27). Today, the UK has a vibrant landscape of civil society organizations active in the field of CSR at the national as well as at the transnational level. Big organizations such as *Amnesty International*, *Friends of the Earth*, *Christian Aid* and *Oxfam* have taken a lead in this area, emphasizing corporate accountability in addition to CSR. In addition to the traditional watchdog and advocacy function of NGOs, nongovernmental and governmental actors also cooperate in various types of CSR multi-stakeholder coalitions, e. g. *Just Pensions*.

Development of CSR Public Policy

During 19th-century industrialization and the development of a modern state, government more or less failed

to provide assistance for mass urban society. This governance gap was filled by traditional philanthropic civil institutions, especially churches, but also by companies acting paternalistically. Corporate philanthropy as a principle for promoting the wider values of the factory owners and for maintaining a loyal workforce became established as a societal concept for regulation. From the beginning until the middle of the 20th century, this regulation pattern was transformed as a consequence of the rise of the British welfare system, with state provisions supplanting areas where corporate actors had previously been engaged.

According to many analysts (in Moon 2004: 6), questions of governability and legitimacy became most pressing in the UK during the 1970s and 1980s. In order to deal with these problems, both Conservative as well as Labour governments followed broadly similar strategies, focusing on regulation and fiscal policy while basically abstaining from the provision of social public goods (Moon 2004: 6). This development was flanked by a government-led discourse on reintegrating business actors into societal regulation. In order to avoid governmental regulation and as a kind of social investment, the private sector multiplied its societal activities through self-regulatory initiatives. The particular use of CSR as a fill for governance deficits was widened under the Labour

³ Location intensity is defined as the total number of TNCs having at least one affiliate in the host country, divided by 100, minus the number of TNCs from this country listed in the top 100 list (http://www.unctad.org/en/docs/webiteiia200610_en.pdf).

government to the societal governance concept of an “enabling state” (Deakin/Walsh 1996). In response to the rising critique of the voluntary nature of companies’ commitment, so-called “soft forms” of legislative (reporting) mechanisms were added (Moon 2004: 8).

In addition to this intentional governmental drive, CSR became contextually self-driven, as the CSR discourse was incorporated in a positive way by both business and civil society actors, who cooperate in voluntary initiatives. This contextual drive can only be understood against the background of powerful and proactive civil society organizations serving as engaged agenda-setters and watchdogs for the implementation and institutionalization of CSR. In summary, one can state that the UK has an extensive and comprehensive institutionalization of CSR at its disposal. A number of laws exist in addition to international agreements. Several policy procedures in the form of frameworks and policy papers complement this institutionalization.

CSR Policy Rationale

The political enhancement of CSR by the British government can be perceived of as being part of the government’s economic policy aim to strengthen the competitiveness of British firms within the domestic and the global economy. The clear concentration on arguments

that back the business case approach of CSR is proof of this aim. In addition to this explicit policy goal, a further rationale for the government’s promotion of CSR can be seen in the view described above that nonstate actors should work with the state in addressing societal challenges and in problem solving through cross-sectoral cooperation.

■ CSR Situation

CSR Public Policy: Understanding, Strategy

The business case approach⁴ is underlined by the fact that the former position of minister for CSR, now minister of competitiveness, was created by Tony Blair within the *Department of Trade and Industry (DTI)*, which is now *BERR*. The minister of competitiveness reports directly to the secretary of state within *BERR*, which underlines the importance of this specific policy issue within the government’s overall policy. An example of the importance of CSR as a domestic policy, designed to address vital gaps in government capacity, is the close interaction between government and *BITC* in PPPs within and for so-called “deprived communities” (EU Commission 2004: 36).

CSR-Relevant Policies		
Name	Date	Description and Reference
International Strategic Framework	2005	Framework setting out the overall objectives, priorities and main lines of the UK government’s approach towards the international dimension of CSR. http://www.csr.gov.uk/pdf/dti_csr_finaldoc.pdf
Securing the Future	2005	National sustainability strategy which explicitly picks up the issue of CSR and puts it into a broader political context. http://www.sustainable-development.gov.uk/publications/uk-strategy/index.htm
DFID and Corporate Social Responsibility	2003	The paper delineates DFID’s approach to CSR. This approach emphasizes the potential of the private sector for development efforts, especially in respect to poverty reduction. http://www2.dfid.gov.uk/pubs/files/corporate-social-resp.pdf

Selected CSR State Actors		
Name	Description	Main Responsibilities/Activities
Department for Business, Enterprise and Regulatory Reform (BERR)	Public authority, responsible for trade, business, employees, consumers, science and energy	Promotes CSR as an economic approach with focus on corporate governance. Responsible for implementing the OECD guidelines. Actively supports BITC. http://www.berr.gov.uk/
Department for International Development (DFID)	Public authority for international development policies	Views CSR as a strategy for poverty reduction. Subsidizes and is responsible for a number of initiatives dealing with CSR at the international level (e.g. ETI, EITI). http://www.dfid.gov.uk
Foreign and Commonwealth Office (FCO)	Public authority for foreign relationships	The FCO's Global Citizenship Unit supports and initiates self-regulatory initiatives for CSR as a human rights approach (e.g. Voluntary Principles on Security and Human Rights; BLIHR) http://www.fco.gov.uk

At the political level there are a number of strategic approaches and frameworks relating to CSR concerns. One can distinguish between those that are especially designed for promoting CSR and those that – while dealing with other central concerns – influence CSR more indirectly. *DTI's* 2005 International Strategic Framework as well as the national sustainability strategy called *Securing the Future* are elements of a more direct CSR approach. The framework presents the UK government's policy to "foster an enabling environment for responsible business practice to maximize the positive contribution that business can make to the UK's objectives on international sustainable development" (DTI 2005: 2). Above all, the UK government intends to achieve measurable contributions by business to CSR performance, to increase the understanding of the business case approach to CSR and to exchange information on experiences of promoting CSR internationally. The strategy deals with CSR-related issues such as sustainable production and consumption, the improvement of resource efficiency and partnerships between the public and business (DEFRA 2005: 1-6).

CSR Public Policy: State Actors

Since 2007, *BERR* oversees the UK's CSR policy, thereby underlining the UK's business case approach. *BERR's*

understanding of CSR is framed in a very general manner, i.e. as a "way of thinking about and doing business" (DTI 2004: 7). The department interacts closely with *BITC*. The CSR Minister within *BERR* is mainly responsible for building and promoting a strategic and coherent CSR framework in collaboration with all relevant state and nonstate actors.

DFID emphasizes the potential of the private sector for development efforts, especially in respect to poverty reduction. *DFID* primarily seeks to support developing countries in creating the conditions under which sustainable economic growth is possible. Therefore, it emphasizes the role of the private sector, which is seen as central to this endeavor (DFID 2005: 6). In addition to PPPs, *DFID* enhances various multistakeholder initiatives for development in cooperation with the private sector.

Similar to *DFID*, the *Foreign and Commonwealth Office (FCO)* emphasizes CSR in international relations. For instance, it initiated the Voluntary Principles on Security and Human Rights and supports the Business Leaders Initiative on Human Rights (BLIHR).

Selected CSR Nonstate Actors

Business

Business in the Community (BITC)	Coalition of over 700 British enterprises	Leads initiative to implement CSR as a business case; bestows annual awards for excellence; benchmarks participants' impact on society and environment through the CR Index. http://www.BITC.org.uk
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Civil Society

Corporate Responsibility Coalition (CORE)	Coalition of over 100 British NGOs	Demands a greater emphasis on corporate accountability, transparency and an improved legal framework for the liability of companies. http://www.corporate-responsibility.org/
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CSR Public Policy: Nonstate Actors

Within the private sector, *BITC* – the largest business association for CSR in the UK – is the most relevant CSR actor. It was founded by business to promote a self-regulatory approach at the national and community level. Governed by a board of trustee directors, *BITC* is broadly institutionalized with a regional management and a formalized policymaking structure.

Corporates are important CSR actors, not only as partners in PPPs, but also as leaders in international reporting standards. Five of the top ten companies named in a joint UNEP/Standard & Poor's/SustainAbility report are British, including the top three: BT, Co-operative Financial Services und BP.⁵

In addition to traditional private sector actors, the issue of CSR has opened new commercial ventures that deal with certification and CSR consultancy. Among them is the globally active *Association of Chartered Certified Accountants (ACCA)*⁶ with members in 170 countries.⁷

Among civil society actors, trade unions do not seem to play an important role in the UK's CSR discussion. This may be due partly to the weakening of unions under the Thatcher government. It may also relate to the trade unions' particular understanding of CSR as an approach taken by business to further sideline unions from decision-making processes and to avoid legally binding labor standards.

In contrast to trade unions, an increasing number of civil society organizations engage in promoting and monitoring CSR; above all they are concerned with accountability and sustainability issues. NGOs are strong in agenda- and standards-setting, as well as in elaborating guidelines to help the private sector follow internationally recognized standards in the fields of human rights, environment and social relations. They also practice their traditional watchdog function by monitoring how businesses comply with these standards and by demanding accountability through reporting and other forms of transparency. Many NGOs joined *CORE*, the NGO network on CSR, to multiply and facilitate their voice function. One important activity of *CORE* was campaigning for binding rules for companies, something that influenced the revision of the Companies Act.

The facilitation and dissemination of CSR knowledge is also organized by research institutions. For instance, the London-based think tank *SustainAbility*⁸, which also has offices in Europe and in the US, is a network of NGOs, companies, science organizations and administrative agencies, and it advises enterprises on the risks and opportunities of CSR policies. Research institutes such as the *International Centre for Corporate Social Responsibility (ICCSR)*⁹ at the University of Nottingham focus more on the theoretical mainstreaming and facilitation of CSR. The *CSR Academy* was initiated jointly by government and *BITC* for designing frameworks and training managers for implementing CSR in companies.¹⁰ One of its tasks is to support *BERR*'s business case argument.

4 Bertelsmann (2006: 11) defines the business case approach as a CSR policy viewed as an economic self-interest.

5 UNEP (United Nations Environment Programme) / Standard & Poor's/Sustainability (2006): Tomorrow's value. The global reporters. 2006 survey of corporate sustainability reporting. Available: <http://www.sustainability.com/insight/research-article.asp?id=865>

6 <http://www.accaglobal.com>

7 <http://www.acca.org.uk/publicinterest/about/>

8 <http://www.sustainability.com>

9 <http://www.nottingham.ac.uk/nubs/ICCSR/>

10 <http://www.csracademy.co.uk>

CSR Public Policy: Instruments and Activities

Based on the strong engagement of business, the UK's CSR policies can be characterized as primarily supporting debates and partnerships. The government not only facilitates PPPs, but also participates in such arrangements in order to combine its resources with those of the private sector. The *DTI's* cooperation with *BITC* is one example of this function. Moreover, there are numerous awards promoting responsible business behavior which also set incentives for following the government's CSR policies. Mandating is also part of the country's CSR policy activities. Here the focus is on reporting and transparency. However, laws such as the Companies Act and the Pension Disclosure Regulation seem to have only few sanctions at their disposal. Thus, following Moon (2004), one might describe this mandating function as being only of a soft mandatory character. The efficiency of such soft legislation remains unclear.

a Mandatory Framework

One important CSR instrument is the 1995 Pensions Act, which Parliament amended in 2000. This modified disclosure regulation predominantly deals with reporting on ethical, social and environmental issues. Although the mandate for transparency of the Pension Disclosure Regulation was expected to increase socially responsible investment in practice, an evaluation by *Just Pensions* in 2002¹¹ reveals an overall shortage of progress in this field because only a few of the 14 analyzed funds were responsible for the many identified SRI best practices.

Another important legal step to strengthen CSR in the UK is the 2006 revision of the Companies Act. It requires that companies report whether and how they consider CSR-relevant issues in their business activities. Furthermore, this law specifies the individual responsibility of the director¹² of a firm by codifying his or her duty not only to pursue the firm's economic success, but to consider additional factors such as the effects of the firm's conduct on its employees, the need to foster its relationships with suppliers and customers, and its impact on the community and the environment. Both the demand for reporting as well as the demand for legislation regarding individual responsibility of the director have been part of an initiative by *CORE*. It was brought to the House of Commons as the Corporate Responsibility Bill in January 2004, but was dropped in April of the same year.¹³

The British government has also been taking the lead in the field of public procurement and CSR. In 2006 an action plan for sustainable procurement was launched, the goal being 100-percent sustainable public procurement by 2009.¹⁴ Ecological criteria are already mandatory for some of the products purchased by government agencies, such as timber materials. The development and implementation of the action plan has been accompanied by developments that will support effective application, for instance at the local level. The local council of Croydon has established a *Public Procurement Clearing House* to ensure the transparency and efficiency of procurement.¹⁵

CSR-Relevant Legislation		
Name	Date	Description and Reference
Companies Act	2006	Act reforming the UK company law entirely; obligatory reporting on ethical, social and environmental issues. http://www.opsi.gov.uk/ACTS/acts2006/ukpga_20060046_en.pdf ; http://www.corporate-responsibility.org/
Pension Disclosure Regulation	2000	Requires all UK occupational pension funds to disclose the degree to which they take into account ethical, social and environmental considerations. http://www.socialfunds.com/news/article.cgi/889.html

11 Do UK pension funds invest responsibly? A survey of current practice on socially responsible investing (<http://www.socialfunds.com/news/article.cgi/889.html>).

12 Under Chapter 9, Article 250, the law defines as "director" a person that occupies this position "by whatever name called."

13 <http://www.publications.parliament.uk/pa/cm200405/cmsid/b.htm#b1>

14 <http://www.sustainable-development.gov.uk/publications/procurement-action-plan/documents/full-document.pdf>

15 <http://www.sustainable-development.gov.uk/what/documents/croydon-council.pdf>

b. Soft Law

One important voluntary instrument that has the status of soft law is the OECD Guidelines for Multinational Enterprises, revised in 2000. The guidelines, part of the Declaration on International Investment and Multinational Enterprises, are recommendations for good corporate behavior dealing with employment, industrial relations, human rights, health, safety, corruption and the environment.¹⁶ The guidelines call for the installation of a *National Contact Point (NCP)*, which is supposed to promote the guidelines and contribute to the resolution of complaints arising from their implementation in each country that supports this instrument.

Although the UK government's CSR policy is often described as encompassing, both *CORE* and *OECD-Watch* - a transnational NGO network that monitors the implementation of and compliance with the guidelines - have criticized the government for being reluctant to implement the guidelines (Christian Aid et al. 2005: 13). Presumably as a response to this criticism, new structures and procedures for the *NCP* have been put in place in 2006. The *NCP* now comprises officials from *BERR*, *DFID* and *FCO*. In addition, a steering board will oversee the work of the *NCP*. In contrast to *NCPs* of other OECD countries, this reaction can be seen as an indicator that the UK government takes criticism of its CSR policy seriously and that the country's civil society is proactive in shaping CSR policies.

The other important initiative at the international level is the United Nations Global Compact¹⁷. Here, the government and the private sector do not appear to be very active, as can be seen in the organization's weak UK membership. Among the current 108 members in the UK, 78 are enterprises. Of these, nine have been marked as noncommunicating and five as inactive by the *Global Compact Office* in early 2007.¹⁸

c. Initiatives and partnerships

Beyond voluntary frameworks and codes of conduct, there are various initiatives, many of them designed as multistakeholder initiatives, to strengthen CSR. The following three examples of such initiatives are considered to be important role models for this endeavor.

The *Ethical Trading Initiative (ETI)* is a UK-based alliance of companies, NGOs and trade unions promoting the implementation of codes of conduct to improve labor

standards within the supply chain. *ETI* has designed a Base Code that must be implemented by all member companies. In addition, it perceives itself as a learning forum and conducts experimental projects on the implementation and the monitoring of codes. *ETI* receives 40 percent of its funding from *DFID*.

Another international CSR initiative is the *Extractive Industries Transparency Initiative (EITI)*. It is meant to complement the initiative Publish What You Pay of British NGOs which asks for transparency in respect to the money flow from corporations to host governments. *EITI* supports improved governance in resource-rich countries through the verification and publication of business payments and government revenues from oil, gas and mining. In order to increase the accountability of governments, *EITI* tries to build multistakeholder partnerships in these countries.

A further endeavor emphasizing the responsibility of the private sector is the transnational *BLIHR*. Seated in the UK, it was founded in the context of the Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises With Regard to Human Rights (UN Norms) of the former *UN Sub-Commission on the Promotion and Protection of Human Rights*. Most governments and the private sector oppose these norms because of a fear they might lead to binding rules for business on the global level. In contrast, *BLIHR* welcomes the UN Norms and takes a vanguard role developing tools to test them in the context of various business activities.

PPPs are additional instruments used widely in the UK, and can be viewed as an expression of the business community's preparedness to assume social responsibilities. At the domestic level, such PPPs exist to promote communal development, especially those partnerships between *BERR* and *BITC*. At the international level, *DFID* cooperates with firms, especially TNCs, in order to back up *DFID's* pro-poor policy. One example is the PPP *Water and Sanitation for the Urban Poor (WSUP)*. This engagement is also visible at the local level; for instance, in 2001 the Business Broker Programme was launched. The idea was to convince businesses to participate in their local strategic partnership (LSP) and boost economic and social development in their local community. After the pilot phase, which was financed by the government, *BITC* is now continuing the program.¹⁹

¹⁶ http://www.oecd.org/topic/0,3373,en_2649_34889_1_1_1_1_37439,00.html

¹⁷ <http://www.unglobalcompact.org>

¹⁸ <http://www.unglobalcompact.org>

¹⁹ <http://www.csr.gov.uk/brokers.shtml>

Selected CSR Initiatives		
Name	Date	Description and Reference
Business Leaders Initiative on Human Rights (BLIHR)	2003	BLIHR perceives the UN Norms as a navigating tool in the social environment, turning risk into opportunities for businesses. FCO supports BLIHR. http://www.blihr.org/
Extractive Industries Transparency Initiative (EITI)	2002	Initiative announced by Tony Blair at the World Summit on Sustainable Development in Johannesburg that brings together businesses, governments, NGOs and international agencies to promote transparency on the public spending of payments by extractive industry. EITI is supported by an International Secretariat presently based in the UK's DFID. http://www.eitransparency.org
Ethical Trading Initiative (ETI)	1998	Alliance to tackle ethical trade. The aim of ETI is that its member corporations help improve the working and living conditions of workers and small producers within the supply chain. Activities focus on consultation and support. ETI receives part of its funding from DFID. http://www.eti2.org.uk/Z/ethtrd/factsheets/ETI_factsheet_consumers.pdf

An example from the field of procurement illustrates how the British government tries to use the whole range of CSR instruments to develop its CSR potential. The Sustainable Procurement Action Plan mentioned above

was drafted with the help of a *Public Procurement Task Force* with a wide range of members coming from business, unions, NGOs and major public sector procurers.²⁰

Selected National CSR Awards and Incentives		
Name	Date	Description and Reference
BITC's Corporate Responsibility Index, sponsored by BERR	2002	Index which helps businesses to improve their impact on society and the environment. http://www.csr.gov.uk/raisingawareness.shtml
BITC's and BERR's Awards for Excellence	1998	Annual awards that recognize the positive impact of responsible business in the marketplace, workplace, environment and community in the UK. http://www.BITC.org.uk/what_we_dolawards_for_excellence/about_the_awards/index.html
The Queen's Awards for Enterprise	1966, latest review 1999	The Queen's Awards for Enterprise are the UK's most prestigious awards for business performance. http://www.queensawards.org.uk/business/About_the_Awards/Index.html

²⁰ <http://www.sustainable-development.gov.uk/government/task-forces/procurement/index.htm>

d. Incentives

Providing incentives is another means to foster CSR by making use of the interest corporations have in improving their reputation. Activities include CSR awards and best-practice rankings. The UK government supports a series of awards; examples are listed in the table below.

There are also indirect measures for incentivizing CSR behavior, e.g. through fiscal policies. One is Community Investment Tax Relief, which encourages private investments in enterprises in deprived and underinvested communities. Another is Payroll Giving, encouraging employees to donate to charity by authorizing a deduction from their gross pay before tax. Providing such an option to employees is increasingly seen as an essential measure for employers to demonstrate social responsibility towards their staff and the community (EU Commission 2004: 138).

e. Awareness

An enabling environment for learning and networking is a crucial factor in strengthening CSR policies. The government's website on CSR²¹ is one example of a more general measure to consolidate important information about CSR public policy and to raise awareness and demonstrate coherence in government policy.

Another aspect of such an enabling environment is the promotion of instruments companies can use for self-assessment. These include the Investors in People Standard,²² launched in 1990, which tries to help its participants improve their way of working by providing a framework that helps them modify their performance according to CSR standards and to realize their objectives through the effective management and development of their staff. Initially, the standard was administered by a section in the *Department for Education and Employment (DfEE)*. In 1993 the nondepartmental public body *Investors in People UK* took national ownership, sponsored by *DfEE*. Although the company is by definition UK-based and UK-orientated in its operations, interest from overseas has given the standard a transnational dimension, both in terms of protection and development.²³ In addition, *BITC's* Research Review is meant to raise awareness by disseminating existing data more widely and identifying potential areas for further research.

Although the UK has no national eco-labeling program to raise awareness for sustainability, the emphasis put on already existing green labeling – for instance the European eco-label The Flower, which is mainly promoted through DEFRA – can be regarded as a consumer awareness-raising measure.

The British government is also a strong supporter of fair trade. The *Public Sector Food Procurement Initiative (PSFPI)* aims to encourage public sector bodies to manage catering contracts in a way that promotes sustainable development by favoring fair trade products. In addition, it opens up opportunities for local as well as UK suppliers, which are supported by the *Office of Government Commerce Guidance on Fair and Ethical Trading*.²⁴ In addition, *DFID* engages in various measures to endorse fair trade as a pro-poor policy to meet the Millennium Development Goals (MDGs), e.g. by supporting fair trade certification programs such as the *Fairtrade Foundation* through the Development Awareness Fund. *DFID's* role in promoting fair trade was recently criticized by the *International Development Committee* of the House of Commons as being too modest.²⁵

■ CSR Public Policy Maturity

Interestingly, the government does not primarily focus on international instruments such as the OECD Guidelines for Multinational Enterprises or the Global Compact, but has developed its own CSR policy which is quite comprehensive in respect to its scope and the level of multistakeholder participation. Although this policy encompasses an impressive variety of working methods and includes business in societal concerns, the government does not seem to use its potential to influence CSR at the international level as embodied in these experiences. Following Ward and Smith (2006), another major limitation can be seen in the lack of agreement on a single definition of CSR among relevant CSR actors in the UK.

In spite of these caveats, the maturity level of the UK's CSR politics and policies has to be seen as comprehensively developed. There is a clearly defined responsibility

21 <http://www.csr.gov.uk/>

22 <http://www.investorsinpeople.co.uk/Standard/Introducing/Pages/Whatis.aspx>, 22.05.2007.

23 <http://www.investorsinpeople.co.uk/About/Pages/Home.aspx>, 14.06.2007.

24 http://www.ogc.gov.uk/documents/Guidance_on_Fair_and_Ethical_Trading.pdf, 03.09.2007

25 <http://www.publications.parliament.uk/pa/cm200607/cmselect/cmintdev/356/356i.pdf>, 03.09.2007

ty for CSR, an overall strategy, cooperation among departments and integration of stakeholders, as well as a wide range of CSR activities. The major reservation would be the evaluation of the government's CSR policy, which does not seem to exist in any systematic form. Thus, the UK can be judged as having a developed, implemented CSR policy, and is thus in the third generation of CSR public policy maturity.

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United States of America¹

Public Policy Rationales

- Enhance international competitiveness
- Address gaps in government capacity

Public Policy Activities

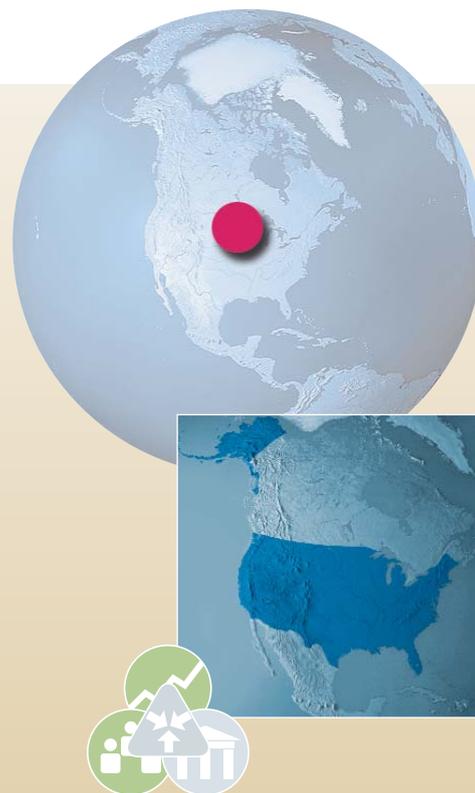
- Mandating: No specific CSR laws; mandatory reporting on selected issues
- Partnering: Partnerships at the federal level; public-private partnerships (PPP) at state and local level, mostly concerning environmental issues
- Setting incentives: Tax incentives; award programs; including CSR in financial guarantees

Public Policy Actors

- At federal level: US Environmental Protection Agency (EPA); US Department of State
- At state level: e.g. California Public Employee's Retirement System (CalPERS)

CSR-Relevant Context Factors

- 📈 High level of integration into the global economy; globally influential corporate players
- 🏛️ Federal political system with wide variation in policies; limited intervention of the federal government in areas of social welfare and regulation
- 👥 Vibrant civil society with a high degree of autonomy of actors; high level of influence of business on politics
- 🔄 Widely varying modes of societal exchange, ranging from the cooperative to the conflictual



■ Executive Summary

Profiling CSR

The political system of the United States of America (US) is based on the framework of a presidential republic, whereby the president is head of state, power being separated between the executive, legislative and judicial branches head of government, and of a two-party legislative and electoral system. The federal government shares sovereignty with the state governments. The states have a high amount of autonomy and responsibility, for instance in respect to education and family matters. States also have power to raise revenues through taxation. The scope of social welfare services such as unemployment compensation is limited in comparison

to many European countries. In addition, lower tax revenues imply a relatively low government capacity to address basic social needs such as health services, education and infrastructure. Limitations in social welfare provision are partly compensated by charitable and philanthropic contributions made by corporations, individuals and churches, a state of affairs that has a long-standing and important history in the US.

The US economy is market-oriented with comparatively low interventions on part of the federal government. The business landscape includes some of the most powerful corporations in the world, but also a high number of small and mid-sized enterprises (SMEs). In terms of state regulation, US firms usually enjoy more flexibility than companies in many other industrial countries. Despite having the world's largest national economy,

¹ Authors of this country profile are Susanne Schaller and Alexander Kocks, Institute for Development and Peace, University of Duisburg-Essen. They were advised by Dale Murphy, Georgetown University, USA.

the US faces some important challenges, such as large budget and trade deficits and a devaluing currency. Moreover, consumer debt is at a very high level. Other relevant problems are poverty and high inequalities in income distribution.

Relations between the public sector and civil society are as diverse as relations between civil society and business, i.e. they range from conflict to cooperation. On the other hand, relations between the business sector and the public sector are often characterized by shared interests.

Although the US is often regarded as the "birthplace" of CSR, the public sector has not been the major driving force behind CSR. Rather, transnational corporations (TNCs) have driven the CSR agenda, also based on long-standing traditions of corporate philanthropy. There is high variation between CSR public sector activities in different states. Although there are no specific CSR laws, there are a number of laws at the federal level, e.g. mandatory reporting on selected issues, which indirectly support the development of CSR. Thus, the US federal government exerts its mandating role to some extent. There are also some incentive structures in place such as tax incentives or award programs. Finally, there are some partnerships at the federal, state and local level.

Rationales for public sector promotion of CSR vary from state to state. In most cases, however, given the influence of business on politics, enhancing business competitiveness and development is a key rationale for public sector engagement, both at the federal and state level. Furthermore, company funding is one of the mechanisms to ensure continuity in social welfare serv-

ices that are not provided by the government. Thus, another relevant CSR rationale is to address gaps in government capacity by making use of resources provided by business.

Navigating CSR

All in all, public sector engagement for CSR at the federal level is relatively low, fragmented and patchwork in nature. Since there only is some development and application of CSR public policy, the overall maturity level of CSR public policy in the US is classified as being within the early second generation. There is no visible contact person or coordination point at the federal level for CSR and no visible formulation of a CSR strategy by the government. However, there are other areas where the US government shows some development and application of a CSR policy. Stakeholders meet with the government and cooperate in PPPs, even though the overall number of such CSR partnerships is not as high as in other countries.

So far, the public sector has not seen the need for coordinating the various federal activities related to CSR. Establishing a national coordination point might help to integrate the still fragmented CSR policies of different US agencies and institutions and might constitute a step towards a more coherent CSR framework at the federal level and allow the federal government to contribute to the concept of CSR. Existing partnerships could be monitored in a more stringent way. Finally, the US could use its influence and existing strengths to stimulate the global SRI market.

CSR Public Policy Maturity Level

Early second generation:

- Very few to no engagement in terms of strategy development, coordination point, evaluation
- Some development and application of CSR policy in terms of integration of stakeholders, activities, communication and awareness raising

CSR Recommendations

- Efforts should be made to coordinate various federal and state activities
- A national CSR strategy describing the scope of federal CSR policy should be developed
- More communication and evaluation activities at both state and federal levels should be pursued
- Existing partnerships should be monitored more closely



■ CSR-Relevant Context

Political, Social and Economic System

The political system of the United States of America (US) is based on the framework of a presidential republic, whereby the president is head of state, head of government, and of a two-party legislative and electoral system. The federal government shares sovereignty with the state governments. The executive branch is independent of the bicameral legislature, which consists of an upper chamber, the Senate, and a lower chamber, the House of Representatives. The judiciary comprises the Supreme Court and lower federal courts that work according to a common law system.² The states have a high amount of autonomy and responsibility, for instance in respect to education and family matters. States also have power to raise revenues through taxation. The US has a competitive political environment dominated by two major parties, the Republicans and the Democrats. This can be ascribed to the majoritarian electoral system that tends to discourage the proliferation of smaller parties, except for at the state level. The Green Party, for instance, has been of some, albeit limited, influence during the past years.

In the US, social welfare services such as unemployment compensation, housing assistance or childcare and family support programs are provided partly by the federal government and partly by the states (GPO Access 2007). Yet their scope is limited in comparison to many European countries. This is partly due to the dominant value of individual responsibility as well as the significant influence and impact of corporates' philanthropic activities, which address a range of issues. In addition, lower tax revenues imply a relatively low government capacity to address social needs such as health services, education and infrastructure. Limitations in public welfare provision are partly compensated by charitable contributions made by corporations, individuals and churches. Social welfare spending to some extent was also affected by the attacks of September 11, 2001, which led to an increase in defense spending and budget deficits and decreasing resources for other federal expenditures. Security concerns also began to dominate the national agenda.

The US economy is market-oriented with comparatively low interventions on the part of the federal government. The business landscape includes some of the most powerful corporations in the world, but also a high number of small and mid-sized enterprises (SMEs). In terms of state regulation, US firms usually enjoy greater flexibility than companies in many other industrial countries (CIA 2007). The state subsidizes the agricultural sector to a significant degree, and trade barrier protections are granted to industries such as steel and textiles.

Despite being the world's largest national economy, the US economy faces some important challenges such as large budget and trade deficits and a devaluing currency. Moreover, consumer debt is at a very high level. Other relevant problems are poverty, illustrated by the fact that the US is ranked lower than almost all other OECD countries in terms of the UNDP's Human Poverty Index, and major inequalities in income distribution.

The US has one of the world's most ethnically diverse societies. Therefore, generalizations about so-called American culture and the cultural predispositions of individuals have to be handled with care. It can be argued, however, that Americans generally emphasize individual opportunities and the possibilities created by hard work and self-initiative. Religion plays a very important role, illustrated by the fact that in 2005 47 percent of American adults claimed to attend church regularly (Barna Group 2007).

Relationship Between Economy, Society and Government

Relations between the public sector and civil society are highly diverse. Generally, civil society is a significant force in the US. Some civil society groups have close relationships with the government as they perform research, monitoring, and implementation functions for the public sector. Other groups and NGOs define themselves as watchdogs or investigators. The country's economic boom in the 1950s as well as cultural and political upheavals in the 1960s laid the groundwork for questioning authority and for civil society to organize itself around issues such as the environment. The government has responded to these pressures to some extent. For instance, former President Richard Nixon created the *US Environmental Protection Agency (EPA)*,

² Louisiana is an exception as its legal system is based on the Napoleonic code.

partly in response to social movements. However, in the context of the recent “war on terror,” relations between the public sector and civil society have become strained. NGOs report that the FBI has targeted environmental, antiplutocracy and especially peace groups with wire-tapping, questioning and arrest (ACLU 2007).

Diversity can also be observed with regard to relations between civil society and business. Some civil society groups such as the *Anti-Plutocracy Movement* adopt a confrontational stance towards corporations, since this movement is concerned about increasing corporate power – a fear shared by many citizens. According to a survey carried out in 2000, over 70 percent of Americans feel that corporations have too much power and political influence (Business Week 2000). On the other hand, there are civil society groups that display a more positive stance towards business, especially those that depend on business financing.

Although federal law guarantees trade unions the right to organize and engage in collective bargaining, organized labor is a weak presence in the US. This can be partly ascribed to the fact that the country’s laws have been far more restrictive in terms of labor organization than in most European countries. Currently, less than 8 percent of the private workforce is represented by unions, one of the lowest figures among economically advanced democracies (Freedom House 2007).

The business sector and the public sector generally have close, cooperative relations. High-level public sector officials often support business interests, since elections, candidacies and political parties are largely financed by private contributions. Individuals who contribute more

than \$200 have to declare this publicly, but disclosure is not required for many lobbying activities or other methods of influencing public policy. Generally speaking, business influence on politics and policies is high.

Development of CSR Public Policy

The strong influence of business on US politics and policies has to be seen in the context of the country’s institutional framework. In other industrialized countries and especially in many European countries, more encompassing legal frameworks exist in areas such as social assistance, health or education. Due to the state’s liberal nature in the US, private actors and firms contribute significantly to “public services.” This explains to some extent why the CSR discourse in the US is broader than in other countries (cf. Matten /Moon 2004: 18). Another important factor for the high level of business rather than public sector engagement is the large number of NGOs and social movements that serve as watchdogs over companies while pressing them to adopt CSR policies. Additionally, the long-standing tradition of philanthropy in the US has also served to further CSR. This tradition can be traced back to a number of wealthy industrialists such as Andrew Carnegie, John D. Rockefeller, Henry Ford and Leland Stanford, who established major charities and universities in the late 19th and early 20th centuries. Today it is continued by philanthropists like Bill and Melinda Gates. Traditionally, these charitable organizations have focused their activities on social welfare issues, which might explain the more visible environment-related CSR activities of the federal government and some states.

Facts and Figures		Source
GDP	12.4 trillion US\$ (2005)	WB
GDP annual growth rate	3.2% (2005)	WB
Import of goods and services	14% of GDP (2003)	UNDP
Export of goods and services	10% of GDP (2003)	UNDP
Corruption Perception Index	7.3 (2006)	TI
Gini Index	40.8% (2000)	UNDP
Gender Equity Index	74 (2007)	Social Watch
Human Poverty Index, OECD countries	Rank 16 out of 18	UNDP

The general importance of CSR as an issue in federal politics has diminished due to recent political developments. It can be argued that the attacks of 9/11 had considerable influence on resetting political priorities and drew away attention from issues such as CSR. It remains unclear whether the outcome of the 2008 elections will change the federal government's stance towards CSR or not.

In contrast to the inactive role of the federal government, some states have shown signs of proactive CSR promotion, which certainly depends on the political and economic context of the respective region. In California, where many companies produce "climate-friendly" technologies, the public sector's high level of engagement in lowering the emission of greenhouse gases is not only connected to ethical and political concerns, but also to economic interests.

CSR Policy Rationale

Public sector rationales for promoting CSR vary from state to state. In most cases, however, enhancing business competitiveness and development is a key reason for public sector engagement, both at the federal and at the state level. Furthermore, company funding is one of the mechanisms for ensuring continuity in the social welfare services that are not provided by the government. Thus, another relevant CSR rationale is to address gaps in government capacity by making use of resources provided by business.

■ CSR-Public Policy Situation

CSR Public Policy: Understanding, Strategy

The US is often regarded as the "birthplace" of CSR (cf. Matten/Moon 2004). However, this applies mainly to the high level of engagement of the business sector. The public sector, in contrast, has not been the major driving force for CSR, and there is a lack of stability in federal CSR policies and practices. While the Clinton administration had some success in moving CSR onto the agenda, this progress has largely been stalled

during the Bush presidency and now only few activities are taking place.

According to the *US Government Accountability Office (GAO)*, public actors' perspectives on CSR are generally connected to profit and possible business gains, but few actually define CSR (GAO 2005). Thus, the definition of CSR seems largely be left to the private sector, which thereby adopts a broad range of different approaches.

In terms of issue areas, the role and rights of employees – for instance in respect to fair wages, working conditions and health care – have been one of the core topics of CSR in the US (Matten/Moon 2004: 9). In addition, community development, education and the environment are relevant topics.

In sum, there is no unifying federal strategy regarding CSR public policy in the US. Moreover, there is considerable variation in CSR policies across states. Although it would be beyond the scope of this study to present all CSR activities of all states, some progressive state policies with regard to the environment can be offered as examples. For instance, Oregon and Washington have a progressive recycling culture and Vermont has been a front-runner in the area of sustainable energy. California in particular is widely respected for its concern about air pollution, climate change and other environmental issues. The case of California is remarkable, as it claims to go beyond Kyoto targets in the reduction in greenhouse gas emissions. In 2006 Governor Arnold Schwarzenegger signed an agreement with British Prime Minister Tony Blair to address climate change and promote energy diversity (CCCP 2006). Extensive interstate cooperation also takes place. Recently, California, Oregon, Washington, Arizona and New Mexico created the *Western Regional Climate Action Initiative (WRCAI)* to implement a joint strategy to reduce greenhouse gas emissions (CCCP 2007). Utah and British Columbia in Canada joined later, turning the *WRCAI* into an international partnership. Thus, there are strong CSR-related policies in some states, mainly in the area of environmental issues; due to the size of the US polity and high levels of regional variation, however, their influence on business is difficult to assess.

CSR Public Policy: State Actors

Although some US agencies and institutions do engage with CSR³, there are no public bodies, posts, or state-sponsored institutes that have been exclusively designed at the federal level for the purpose of promoting CSR, nor are there clearly ascribed responsibilities for the topic. Different agencies at different governance levels take interest in different aspects of CSR, but there is no national coordination.

In 2005, the GAO identified 12 US agencies with over 50 federal programs, policies and activities in the area of CSR that have been initiated in recent years. Many of these programs have very small budgets and staff and

often are not specifically designed to promote companies' CSR activities. According to the GAO (2005: 2), the *US Department of State* has the greatest number of initiatives related to global CSR, followed by the *EPA*, which has the main responsibility for environmental protection. The *EPA's* industry-government partnership *Climate Leaders*, for example, collaborates with businesses "to develop long-term comprehensive climate change strategies."⁴

The *US Agency for International Development's (USAID) Global Development Alliance (GDA)* financially partners with corporations in order to achieve its development goals. Other government agencies, such as the *Overseas Private Investment Corporation (OPIC)*, "mandate CSR by

Selected CSR State Actors		
Name	Short Description	Main Responsibilities/Activities and Reference
Federal Level		
US Environmental Protection Agency (EPA)	Federal agency responsible for environmental protection	The mission of the EPA is to protect human health and the environment. The EPA also collaborates with companies to develop climate change strategies. http://www.epa.gov/
US Department of State	Main responsibility is the country's foreign relations	Fosters CSR practices as a means to enhance their own efforts with regard to public diplomacy, human rights protection and other issues. It also initiated the Partnership to Eliminate Sweatshops Program, which provides grants to address bad working conditions in overseas manufacturing facilities producing goods for the US market. http://www.state.gov/
Overseas Private Investment Corporation (OPIC)	US government agency	Helps US businesses invest overseas, fosters economic development in new and emerging markets and complements the private sector in managing risks associated with foreign direct investment. It ensures that the projects it supports are consistent with sound environmental and worker rights standards. http://www.opic.gov/
State Level		
California Public Employee's Retirement System (CalPERS)	Largest public pension fund in the US	Active in encouraging SRI. CalPERS also focuses on greater fiscal responsibility, social justice and environmental issues. http://www.calpers.ca.gov/

³ For an overview of the several US agencies and their CSR-related programs see GAO 2005, Appendix II.

⁴ <http://www.epa.gov/climateleaders/>

requiring companies to meet criteria consistent with CSR to obtain their services” (GAO 2005:3).

Through the *Points of Light Foundation (POLF)*, founded by former President Bill Clinton in 1990 and which aims to support volunteer-based organizations, the US government brings together companies and nonprofit organizations in order to address domestic social problems (Backhaus-Maul 2004: 53). Thus, at the federal and single state level, public sector actors are mainly involved through PPP activities and multistakeholder initiatives.

There also are some relevant public sector CSR actors at the state level. For instance, the *California Public Employee's Retirement System (CalPERS)* has played an active role in socially responsible investment (SRI) and underlines California's leading role in environmental, health and other CSR-related activities in the US. As of May 2007, the organization had \$240 billion in assets, providing retirement services for approximately 1.5 million public employees in the state of California. Several other states in the US are active in various activities, including developing multistakeholder initiatives aimed at providing clean and renewable energy supplies and supporting the development of emerging technologies.⁵

CSR Public Policy: Nonstate Actors

Various private actors from the business, nonprofit, media and civil society sectors shape and encourage CSR. Generally, CSR in the US has been promoted by businesses' either gaining competitive advantage using CSR as part of their business strategy or as a means to respond to consumer and civil society pressure. This sometimes extends itself to other companies, as firms seek to make their competitors follow them in CSR engagement in order to avoid economic disadvantages. For instance, major retail firms such as *Nike* and *Gap* adopted CSR practices and then exerted pressure on other footwear and apparel firms to do the same. Such large domestic TNCs are the primary force affecting the development and adoption of CSR. There is also some evidence that major firms use CSR as a tool to modify or influence the regulatory framework in their favor and to secure advantages in the political arena (Liston-Heyes/Ceton 2007: 97).

Some US corporations adhere to voluntary principles. For instance, as of mid-2007, 105 US firms have joined the Global Compact. Voluntary reporting increased in importance in the 1990s when companies used CSR reports as “damage control” after corporate scandals. Today, five US companies are among the top 50 leaders of sustainability reporting as named in the Global Reporters 2006 Survey of Corporate Sustainability Reporting (UNEP et al. 2006: 14). Moreover, 44 US organizations are business members of the *Global Reporting Initiative (GRI)*, which was initially formed by two US nonprofits with the support of the *United Nations Environment Programme (UNEP)* in 1997⁶, and whose database contains 229 reports from US organizations.⁷

The US is the world's biggest market for SRI (Sparkes 2002: 354). The notion of SRI in the US goes back to the Quaker and Methodist tradition of making ethical considerations a condition for investment decisions in order to avoid so-called “sin stocks,” i.e. stocks for the production, distribution or promotion of alcohol, tobacco, weapons and gambling (Hamm 2006: 3f). The high engagement of state and nonstate actors – for example, critical shareholders, universities and faith-based organizations such as the *Interfaith Center on Corporate Social Responsibility (ICCR)* – now accounts for the relevance of SRI in the US. The critical consumer movement has been an especially important actor in this regard (Hamm 2006: 22ff). Market-based instruments such as the Dow Jones Sustainability United States Index and the Calvert Social Index further enhance SRI development in the US.

Business coalitions are also active in the area of CSR. For instance, the *Business Civic Leadership Center (BCLC)*, an affiliate of the *US Chamber of Commerce*, aims to promote better relations between business and society at large. It also provides incentives through awards programs, e.g. the Corporate Citizenship Awards. Many business actors that promote their CSR practices are members in the association *Business for Social Responsibility (BSR)*.

The nonprofit organization *Net Impact*, an offshoot of *BSR*, furthers knowledge about CSR among students and professionals. Many MBA students are among the network's most progressive voices and have the potential to advance the CSR agenda as they assume positions of responsibility. However, it has to be kept in mind that many MBA programs in the US rarely promote CSR and

5 For an overview see http://epa.gov/climatechange/wycd/stateandlocalgov/state_actionslist.html

6 These were CERES, a national network of investors and environmental organizations working with companies and investors to address sustainability challenges, and the research and policy organization Tellus Institute.

7 <http://www.corporateregister.com/gri/>

advocate that the primary responsibility of managers is to maximize shareholder value. In any case, business engagement for CSR apparently stems less from educa-

tion at universities and business schools and more from other factors such as consumer pressure or the hope of improving a business's reputation.

Selected CSR Nonstate Actors / Business Actors		
Name	Short Description	Main Responsibilities/Activities
Business Civic Leadership Center (BCLC)	Affiliate of the US Chamber of Commerce, the world's largest business federation	Aims to promote better relations between business and society at large by coordinating PPPs among other activities. BCLC works with leaders from business, government, and the nonprofit sector. Offers programs in business disaster assistance and recovery, corporate community investment and global corporate citizenship. http://www.uschamber.com/bclcl/about/default
Business for Social Responsibility (BSR)	Nonprofit business association with 250 member companies	Forum for discussing corporate CSR strategies. Hosts large conferences and provides information, tools, training and advisory services to make CSR an integral part of business operations and strategies. Its website provides a labor-law database, issue briefs, event listings and resources on topics such as the environment, human rights or community investment. http://www.bsr.org
Calvert Group	Company offering SRI funds and tools	Encourages SRI by offering a range of investment options, including the nation's largest array of socially responsible mutual funds. Provides corporate responsibility ratings for the largest 100 US companies in five issue areas and the Calvert Social Index http://www.calvert.com/
Dow Jones Sustainability Indexes (DJSI)	A cooperation of index providers that tracks the performance of sustainability pioneers	Lists best-performing US companies according to a systematic corporate sustainability assessment that identifies the leading sustainability-driven companies in each industry group and 58 sectors. www.sustainability-indexes.com
Interfaith Center on Corporate Responsibility	Association of 275 faith-based institutional investors	Includes religious communities, pension funds, foundations, hospital corporations, economic development funds, asset management companies, colleges and unions. Has been active in the corporate responsibility movement already for 35 years. Each year its religious institutional investors sponsor over 200 shareholder resolutions on major social and environmental issues. www.iccr.org
Net Impact	Nonprofit organization, network of business students and professionals	Originally started as Students for Socially-Responsible Business. Offers a portfolio of programs to educate and encourage more than 10,000 members to enhance CSR, social entrepreneurship and environmental sustainability. http://www.netimpact.org

Furthermore, there are a number of NGOs driving CSR in the US through the use of various tools, e.g. “naming and shaming” tactics, agenda-setting, monitoring, working as watchdog organizations, lobbying, developing standards and initiating coalitions between different actors. As NGOs in the US are rather competitive and often seek funding from the same donors, they usually are specialized on particular issues.

A very active transnational NGO is *Global Witness*, which focuses on corruption, conflict, and human rights. The multistakeholder organization *Social Accountability*

International (SAI) works mainly through certification and is well known for the voluntary workplace standard SA8000. Another active player is the *Rainforest Action Network (RAN)*, a nonprofit environmental organization that also runs a campaign on global finance to bring social and environmental accountability to global financial business practices.

Over the last two decades, NGOs, companies and other actors have increasingly formed partnerships. One example is the *Fair Labor Association (FLA)*, which comprises universities, businesses and NGOs and promotes

Selected CSR Nonstate Actors / Civil Society		
Name	Short Description	Main Responsibilities/Activities
Environmental Defense	Nonprofit organization, set up in 1967	Links science and business to find solutions on environmental problems; works with some of the major US companies to improve their environmental performance. www.environmentaldefense.org/partnerships.cfm
Fair Labor Association (FLA)	Multistakeholder network including companies; aims to protect the rights of workers	Works on strengthening the capacity of local communities to ensure that governments meet their responsibilities to workers. Through public reporting, FLA provides consumers and shareholders with information allowing them to make responsible buying decisions. http://www.fairlabor.org
Global Witness	NGO with a focus on natural resources	Has offices in the US and the UK. Has been a main driver for initiatives like the Kimberley Process, which seeks to end the trade of conflict diamonds, and the Extractive Industries Transparency Initiative (EITI). www.globalwitness.org
Rainforest Action Network (RAN)	Nonprofit organization	Works on protecting rainforests and human rights. Among other activities, it runs a campaign on global finance to bring social and environmental accountability to global financial business practices. http://www.ran.org/
Social Accountability International (SAI)	Nongovernmental multistakeholder organization	Certifies companies according to the voluntary standard SA8000. Partners with unions, NGOs, multistakeholder initiatives, development charities and anticorruption groups, as well as organic, fair trade and environmental organizations. Carries out research, offers training and technical assistance and furthers stakeholder exchange. www.sa-intl.org

greater accountability and transparency of major footwear and clothing factories. Among other activities, *FLA* conducts independent monitoring and verification to ensure that its Workplace Standards are upheld.

Although trade unions are generally not a strong force in the US, they play a role in promoting nondiscrimination guidelines, safe working conditions, healthcare and worker compensation. Some unions have been supportive of monitoring programs such as those of *FLA*.

The media are increasingly discovering CSR as an issue, and the CSR media landscape is characterized by specialized publications, newsletters and websites such as the CSR wire.⁸

CSR Public Policy: Instruments and Activities

a. Mandatory Framework

No federal laws have been passed referring directly to CSR (GAO 2005). However, there are a number of long-standing laws that are related to CSR. Thus, human rights activists today refer to the Alien Torts Claims Act (ATCA) of 1789 in order to hold TNCs accountable for human rights abuses in developing countries. In addition, various regulations such as environmental and labor laws address CSR-related issues.

There is also mandatory reporting for some selected issues. For instance, the *US Department of Labor* man-

CSR-Relevant Legislation		
Name	Date	Short description
Sarbanes-Oxley Act	2002	Establishes standards for all public company boards and management and public accounting firms and covers issues such as auditor independence, corporate governance and enhanced financial disclosure. It also establishes a new quasi-public agency, the Public Company Accounting Oversight Board, charged with overseeing, regulating, inspecting and disciplining accounting firms in their roles as auditors of public companies. http://www.legalarchiver.org/soa.htm
Employment Retirement Income Security Act	1974	Demands that voluntary pension and health plans of corporations provide extensive information to their members and prescribes the installation of complaint mechanisms. It also defines responsibilities with regard to management and asset control. http://www.dol.gov/dolltopic/health-plans/erisa.htm
Occupational Safety and Health Act (OSHA)	1970	Aims to assure safe and healthful working conditions for working men and women, for example by assisting and encouraging the states in their efforts to assure safe and healthful working conditions and by promoting research, information dissemination, education and training in the field of occupational safety and health. The act is particularly important in the agribusiness, construction and transportation industries. http://www.legalarchiver.org/osh.htm
National Environmental Policy Act	1969	Basic national charter for the protection of the environment. It establishes policy, sets goals and provides means for carrying out policy. For example, it requires an Environmental Impact Statement for federally funded programs. http://ceq.eh.doe.gov/nepa/regs/nepa/nepaeqia.htm

The National Labor Relations Act (Wagner Act)	1935	Established the National Labor Relations Board (NLRB). Protects the rights of workers in the private sector to organize labor unions and engage in collective bargaining and activities in support of their demands. Revised in 1947 by the Taft-Hartley Act, which restricted the rights of trade unions. Among other things, it prohibits secondary boycotts and picketing and authorizes the president to intervene in strikes that create a "national emergency." http://www.nlr.gov
Alien Torts Claims Act (ATCA)	1789	Provides federal courts with jurisdiction over violations of international law. ATCA allows corporate leaders to be held responsible in a court of law for human rights abuses committed as a result of a company's activity in a foreign country, regardless of whether the abuses were committed by someone within an American company, or whether the abuses were committed by a local group empowered by the presence of an American company.

dates reporting of occupational injuries by 185,000 employers, and the EPA demands reporting of (accidental) releases of toxins. However, civil society actors indicate that mandatory reporting with regard to toxic chemicals has been scaled back by the Bush administration (CoPIRG 2007).

With regard to corporate governance, the Sarbanes-Oxley Act of 2002 is relevant for CSR, as it establishes standards on issues such as auditor independence and financial disclosure. The Employment Retirement Income Security Act (ERISA) of 1974 is also important, as it defines minimum standards for most of the voluntary pension and health programs in corporations. Among other aspects, the law demands that such programs provide extensive information to their members. Finally, a 2003 initiative by the *Securities and Exchange Commission (SEC)*, a US government agency that oversees and regulates the stock market, obligates all managers of investment funds to report on the voting at general meetings. It is hoped that this will encourage critical shareholders to bring up issues related to SRI.

At the state level, there are some noteworthy environmental laws. In Vermont, for instance, since the 1970s it has been required by law that the state electricity grid purchase small-scale sustainably produced energy. California has also passed very progressive legislation with regard to the reduction of greenhouse gas emissions.

b. Soft Law

Public sector engagement in promoting soft law is relatively low. For instance, no public sector organization has joined the Global Compact. There is a *National Contact Point (NCP)* for the OECD Guidelines for Multinational Enterprises, which is located at the *US Department of State*. However, the meager content of its website, which does not even provide annual reports, reveals the low priority of the guidelines for the US government. The NGOs *Germanwatch* and *OECD Watch* critically remark that the US-based NCP often holds back information on companies and cases that are brought to it (Feeney 2005: 15).

c. Initiatives and Partnerships

There are PPPs initiated by public sector actors such as *USAID* at the federal level. In 2001, it created *GDA*, mentioned above, which is a global partnership of companies, nonprofit organizations and government agencies. Since its creation, *GDA* has grown quickly and is now involved in hundreds of partnerships supporting economic growth, health, education, environmental protection and conflict resolution in various developing countries. In spite of this, it must be noted that business responsibility and CSR is not a core concern in *USAID's* strategy.

The *US Department of Labor* also takes a partnership approach in promulgating and enforcing workplace safety and health standards through the *Occupational Safety and Health Administration (OSHA)* (OECD 2001: 9). In its

Strategic Partnership Program, OSHA cooperates with employers and employee representatives to encourage them to improve the levels of worker safety and health. Through its Alliance Program, OSHA also works with other groups, including trade unions and educational institutions, to leverage resources and expertise and to develop compliance-assistance tools.

Furthermore, the US Department of State initiated the Partnership to Eliminate Sweatshops Program in 2000, which provides grants to address poor working conditions in manufacturing facilities overseas that produce goods for the US market. However, it is difficult to assess the scope or influence of this program as there is very little information on the project's website.

managing a common greenhouse gas emissions reporting system.⁹ Furthermore, the initiative *Powering The Plains (PTP)* encompasses five US states and addresses climate issues surrounding energy and agriculture. PTP is a multistakeholder initiative and brings together “top elected and government officials, utility industry executives, agricultural producers, farm organization representatives and renewable energy advocates.”¹⁰

Other examples of regional initiatives addressing climate change are the *New England Governors - Climate Change Action Plan (NEG-ECP)*, the *Regional Greenhouse Gas Initiative (RGGI)* and the *Southwest Climate Change Initiative (SCCI)*.¹¹

Main CSR Partnerships and Initiatives: Federal Level

USAID's Global Development Alliance (GDA)	2001	Global partnership of companies, nonprofits and government agencies led by USAID. GDA's declared aim is to mobilize the ideas, efforts and resources of governments, businesses and civil society by forging public-private alliances to stimulate economic growth, develop businesses and workforces, address health and environmental issues, and expand access to education and technology. http://www.usaid.gov/our_work/global_partnerships/gda
Cooperative Programs of OSHA/US Department of Labor	Current	Several cooperative programs to promote the improvement of health and safety standards in US companies. Among others, OSHA offers a free consultation service on health and safety issues primarily targeted at smaller businesses. http://www.osha.gov/dcsp/partnerships/index.html
US Department of State's Partnership to Eliminate Sweatshops Program	2000	Funds projects and multistakeholder partnerships to address labor conditions in manufacturing facilities abroad. In 2003 it funded the development of a confidential database of factory monitoring reports accessible to companies seeking compliance information on factories in their supply chains. On average, it provides \$2 million in economic support funds. http://www.state.gov/g/drl/rls/34277.htm

At the regional level, there exist various initiatives that address climate change. The *Western Regional Climate Action Initiative (WRCAI)* has devised a market-based program, “such as a load-based cap and trade program” (CCCP 2007), to reach its regional target for reducing greenhouse gases. Another example, *The Climate Registry* has a clear CSR-focus. This collaboration at different levels (state, province and tribe) aims at developing and

One noteworthy example at the state level is the *California Climate Action Registry*, a PPP that was created to encourage companies, government agencies and other organizations that do business in California to voluntarily measure and publicly report their greenhouse gas emissions. In 2005 the registry had 45 members, including companies, government actors, cities and NGOs (CCCP 2005).

9 <http://www.theclimateregistry.org/>

10 <http://www.gpsd.net/resource.html?id=61>

11 http://epa.gov/climatechange/wyacd/stateandlocalgov/state_actionslist.html

In addition to the aforementioned partnerships, government capacity gaps in relation to health, education and infrastructure are occasionally met through PPPs. However, so far there are no tools in place to assess or evaluate the efficacy of these partnerships.

According to GAO (2005), incentives are also provided by the government agency OPIC, which offers long-term financing and political-risk insurance to US companies investing in emerging markets and developing countries. All beneficiary companies have to comply with

Main CSR Partnerships and Initiatives:		
Name	Description/Date	Main Responsibilities and Reference
Regional Level		
Western Regional Climate Action Initiative (WRCAI)	Regional initiative of six US states and British Columbia to reduce greenhouse gas emissions	The stated purpose is to identify, evaluate and implement ways to collectively reduce greenhouse gas emissions in the region. The initiative requires partners to set an overall regional goal to reduce emissions, develop a market-based, multisector mechanism to help achieve that goal, and participate in a cross-border greenhouse gas (GHG) registry. http://gov.ca.gov/imp3/press/022607_WesternClimateAgreementFinal.pdf
The Climate Registry	Collaboration between states, provinces and tribes providing a greenhouse gas registry	Provides an accurate, complete, consistent, transparent and verified set of greenhouse gas emissions data from reporting entities, supported by a robust accounting and verification infrastructure. http://www.theclimateregistry.org
Powering the Plains (PTP)	Regional Initiative addressing climate change	Brings together stakeholders to address climate issues surrounding energy and agriculture while adding value to the region's economy and mitigating the risk of climate change and other environmental concerns. http://www.gpisd.net/resource.html?id=61
State Level		
California Climate Action Registry	2000	PPP to encourage companies and other organizations to voluntarily measure and report their greenhouse gas emissions. For this purpose, it provides the so called Climate Action Registry Reporting Online Tool (CARROT), a tool for calculating emissions and reporting. http://www.climateregistry.org/

d. Incentives

Tax incentives are a frequent policy instrument used to encourage CSR, e.g. for adopting a more environmentally-sound technology or for conducting research. The government also provides some indirect CSR-incentives for employers through negative tax expenditures, e.g. for pension programs. The US tax system also encourages philanthropy, and contributions to nonprofit organizations are tax-deductible.

CSR criteria, such as host-country development impact, environmental protection, international labor rights and human rights (GAO 2005: 25). Importantly, these requirements are written into contracts. However, it remains unclear how and if business compliance with these criteria is monitored.

Finally, there are some public awards that can provide incentives for corporations, since they promise reputa-

tional gains. At the federal level, there are three awards that may fulfill this function. One is the Award for Corporate Excellence by the *US Department of State*, and two issue-specific awards by the *EPA* focus on climate and ozone protection.

e. Awareness

The Clinton administration undertook some efforts to enhance awareness of climate change and related environmental issues among companies. For instance,

■ CSR Public Policy Maturity

As generalizations about CSR at the state level cannot be made, statements about the CSR public policy maturity level in the US only can address the federal level. All in all, public sector engagement with CSR at the federal level is relatively low and is fragmented and patchwork in nature. Since there is only some development and application of CSR public policy, the overall maturi-

Main CSR Partnerships and Initiatives / State level

Name	Date	Description and Reference
US Department of State's Award for Corporate Excellence	1999	Annual award that emphasizes the role US businesses play in advancing good corporate governance, best practices and democratic values overseas. Winners include both TNCs and SMEs. http://www.state.gov/eeb/ace/
EPA's Climate Protection Awards	1998	Awards leadership, innovation, personal dedication and technical achievements in climate protection exhibited by organizations and individuals from the public and the private sector. CSR is among the selection criteria. http://www.epa.gov/cppd/awards/climproawards.htm
EPA's Stratospheric Ozone Protection Awards	1990	Awards organizations that show exceptional leadership, personal dedication and technical achievements in protecting the earth's stratospheric ozone layer. In the first 18 years, the awards have been presented to 509 individuals, organizations and teams from 42 countries. CSR is among the selection criteria. http://www.epa.gov/ozone/awards/index.html

conferences on climate change and the business community were organized that emphasized the business potential that results from adopting sustainable technologies. The *US Department of Commerce* also seems to have endorsed CSR, stating that US companies "must follow the highest standards of conduct anywhere they do business" (GAO 2005: 17). Apart from the instruments mentioned here, federal public actors do not seem to engage in any noteworthy awareness-raising activities.

ty level of CSR public policy in the US is classified as being within the early second generation.

There is no visible contact person or coordination point for CSR and no visible formulation of a CSR strategy by government. In addition, CSR-promotion activities by US agencies have not yet been evaluated. However, there are other areas where the US government shows some development and application of a CSR policy, especially with regard to the area of environmental assessment and protection, including alternative technologies. Stakeholders meet with the government and cooperate in PPPs, even though the overall number of such CSR partnerships is not as high as in other countries. In the main, the country has yet to draw upon the range of CSR public sector instruments that could address at least some of its socioeconomic and political problems.

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Vietnam¹

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Public Policy Rationales

- Enhancing international competitiveness
- Promoting local export-oriented business

Public Policy Activities

- Awareness raising: Conferences, workshops, round tables and prizes
- Partnering: Addressing CSR-relevant issues with national business associations and with international bodies
- Creating: Voluntary frameworks

Public Policy Actors

- Vietnam Agenda 21 Office
- Ministry for Labor, War Invalids and Social Affairs (MOLISA)

CSR-Relevant Context Factors

-  Transition from a centrally planned economy to an export-oriented market economy
-  Low levels of government capacity for law enforcement and implementation, high levels of corruption
-  High level of willingness to reform; limited autonomy of nonstate actors
-  Increasing incorporation of external nonstate actors into agenda-setting, such as NGOs, investors and buyers



■ Executive Summary

Profiling CSR

Vietnam is a developing, industrializing country with aspirations towards being a fully developed nation by 2020. It is a socialist state in a phase of transition from a centrally planned economy to an export-oriented market economy. Since the 1990s Vietnam has become increasingly integrated into the regional and international political arena and into the global market. As such, it has shown great capacities for reform as well as willingness to incorporate external actors, such as investors, buyers and international NGOs dealing with labor and poverty issues. Although the government has made great progress in eradicating poverty, it continues to face challenges to continued economic growth, namely, low levels of law enforcement capacity, corruption and bureaucratic barriers hindering investment.

The role of CSR in pursuing public sector as well as private sector goals is now a widely discussed and important topic in Vietnam. So far, the key drivers of CSR-relevant policies and activities have been privately owned businesses that have developed various codes of conduct and state-owned businesses that have taken labor laws very seriously. The Vietnamese government is now taking up CSR-relevant issues as a public policy area. Public policy instruments so far have focused on awareness raising by creating forums for dialogue and exchange and partnering with national business associations as well as with international donor agencies. There are also indications of increasing legislative activity in the areas of labor law, corporate governance and environmental protection.

CSR public policy maturity can be assessed as borderline, i.e. moving rapidly from the first to the second generation. Although there is no explicit CSR policy in place, there has been an attempt to address the issue of CSR within a broadly formulated sustainability strategy

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termed the Vietnam Agenda 21, but it is still mainly treated as a cross-cutting subject. The importance of stakeholders is growing. However, there is no visible coordination point or a clearly defined contact point for CSR within government. As yet, there are few indications concerning regularly executed evaluations. Compliance is an issue that is most affected by lack of government capacity and by corruption. The efficacy of CSR instruments is further hampered by the existence of conflicting standards and norms as well as by the lack of coherent conceptions of CSR and its role.

The main rationales are enhancing international economic competitiveness and fostering the capacities of local, export-oriented businesses to deliver goods produced according to internationally accepted norms and standards.

Navigating CSR

Public policy development will therefore depend to a great extent of the ability to coordinate public sector roles and concepts as well as on the government's ability to position CSR in Vietnam as a local and regional concept. CSR policymaking and enforcement as such

would benefit from the notion of shared ownership by the public and the private sector rather than being seen as a set of activities dictated by the pressures of a demand-driven market and international supply chains. This is a function that requires awareness raising and greater involvement on the part of societal actors such as Vietnamese NGOs and small and medium sized enterprises (SMEs).

1st and 2nd CSR Public Policy Maturity Level

First to second generation:

- Recent attempts to introduce comprehensive strategies, especially regarding sustainable development (Vietnam Agenda 21)
- Some partnering and mandating activities are in place and many are planned
- There are high levels of communication regarding CSR and increasing levels of stakeholder integration
- No visible coordination point and there is as yet no CSR evaluation in place by the government

CSR Recommendations

- Political ownership and strategy on CSR should be clarified and developed
- Greater coordination of public sector roles
- Greater integration of Vietnamese NGOs and SMEs as autonomous voices in the debate are recommended



■ CSR-Relevant Context

Political, Social and Economic System

Vietnam is a stable, single-party, socialist republic. The latest constitutional revision took place in 1992 and reaffirmed several key aspects of the Vietnamese polity: its socialist character, based on an alliance between the peasantry, the working class and the intelligentsia, and the vanguard role of the Communist Party of Vietnam, which draws on Marxist-Leninist doctrine and the ideas of Ho Chi Minh. At the same time, Vietnam is changing, first by moving from ideology-centered politics to a market-oriented model of socialism, a development that has ensued since the far-reaching reforms known as *doi moi* (renovation) were adopted by the 6th Congress of the Communist Party of Vietnam in 1986. The *doi moi* reforms were also a key factor enabling Vietnam to emerge from international isolation in 1989, following decades of tension in balancing relations with a number of partners, including the Soviet Union, China and Cambodia. Since then Vietnam has established diplomatic ties with ASEAN and with most countries of Western Europe and Northeast Asia. It is also a member of several UN organizations, including WHO, ILO, UNDP, UNIDO, and FAO. Secondly, while the country's constitution affirms the principle of democratic centralism, decision-making authority is being increasingly delegated to the sub-national level, concerning decisions regarding key aspects of public life such as investments, budget, education and public healthcare. The National Assembly, which is the sole legislative body and is elected every five years, has also been increasingly proactive in debating development issues. The main obstacles that Vietnam faces in achieving its target of becoming a developed nation by 2020 are corruption; rising social inequalities; lack of transparency, accountability and media freedom; as well as an inefficient bureaucracy. Thus, despite the importance of consensus in Vietnamese society, conflict has become part of the political system (Do Duc Dinh, 1995).²

Being primarily an agricultural country in that roughly 74 percent of the population lives in rural areas, traditional rural customs are highly important within Vietnamese society. National culture also plays a significant role, borne out of several wars of resistance against foreign

invaders. Two other cultural factors play a role in shaping Vietnamese society and perceptions: Chinese-influenced Confucian culture and current trends resulting from Westernization. Collectivism, traditionalism and long-term thinking therefore sometimes collide with more short-term outcome oriented changes within the country's cultural fabric. So far, it is clear that economic reforms have preceded social and political reforms in Vietnam. The role of NGOs is still limited, although the constitution provides much room for the concept of societal participation. Although there are more than 500 international NGOs, dealing mainly with the consequences of war and poverty, the lack of an enabling environment and the weak capacity and self-identity of Vietnamese civil society are major challenges to the development of an effective domestic NGO sphere.³

Vietnam is notable for the pace and success of the economic reforms it has adopted since 1986, a trend that received more impetus in 2006 through new legislation governing private enterprises and investment. The reforms are expected to boost domestic and foreign investment, also helped by Vietnam attaining WTO membership in January 2007. In addition, Vietnam is a member of AFTA and ASEM. Moreover, Vietnam has been a member of APEC (Asia-Pacific Economic Cooperation) since 1998 and has benefited from close ties to powerful APEC member states such as the US, Japan, China and Canada. State-owned enterprises continue to be the most important players, even if their actual numbers have declined. The individual and private economic sector has also contributed much to growth, in addition to the steady role played by the collective economy. The main problems facing the Vietnamese economy are FDI shortfall, low world commodity prices, which are hurting agricultural incomes, red tape and high transaction costs, public sector mismanagement and a weak capital market.

While the government has made progress in reducing poverty and maintaining strong growth rates (averaging 8.17 percent since 2005), existing policy challenges are strengthening the financial sector and the legal framework and reforming state-owned enterprises. Economic reform also means dismantling the universality and coverage of the country's health, education and pensions systems, thus far provided by the state or state-owned farms and enterprises.⁴ However, it is far from clear whether the corporate sector will voluntarily fill the

2 <http://www.ilo.org/public/english/bureau/inst/papers/1995/dp81/index.htm>

3 <http://vngos.blogspot.com/2007/01/government-of-vietnam-expresses.html>

4 <http://www.ilo.org/public/english/bureau/inst/download/dp14102.pdf>

capacity gaps, as Vietnam's core concern is economic growth, so as to counteract the primary focus on macro-economic stability following the East Asian financial crisis in 1997. There are indeed proposals under way to cut the corporate tax rate from 28 to 25 percent. Although the country is still an agricultural economy in terms of the labor force (56.8 percent), construction, tourism and telecommunications are now the main drivers of expansion. Industry and construction make up 41 percent of the economy, which includes the garment industry and is the second-biggest export industry after crude oil. The service sector accounts for 38 percent of the economy, whereby the hotel and restaurant trade saw a 17 percent growth rate in 2006.⁵

Relationship Between Economy, Society and Government

The two major drivers of economic change are the government and the business sector, which comprises both state-owned enterprises as well as private enterprises. Civil society in Vietnam, understood as a sphere that is independent of both state and market, is still in the process of developing its identity, especially in legal terms, in so far as most domestic organizations are still quasi-governmental bodies. However, in functional terms there has been progress in that the traditional NGO functions of watchdog, special interest group rep-

resentation and lobbying are being pursued by various national and international associations. These voluntary associations are seeking to expand their influence on both the public and the business sector (Bach Tan Sinh, 2001). There is far more alignment to be seen between the public sector and the business sector, since one of the goals of economic reform is the transition from a socialist centrally planned economy to a market economy. The *Vietnam Public Sector Forum*, which functions as a forum for dialogue between the state and private enterprises, is an example of attempts to institutionalize the relationship that is characterized by greater autonomy of the business sector, coupled with on-going overall control by the state and the party.⁶ Economic liberalization and privatization mean that the government now welcomes and has to maintain good relations with both foreign and domestic investors. As a more consensus-oriented country and culture, this also means that Vietnam does not always address a number of issues with the necessary openness and urgency, such as corruption, lack of transparency and other problems cited above.

Development of CSR Public Policy

The concept of CSR was initially introduced into Vietnam in the late 1980s through the far narrower strategy of implementing CoCs (codes of conduct) within state-owned,

Facts and Figures		Source
GDP	52.9 billion US\$ (2005)	WB
GDP annual growth rate	8.2% (2006 est.)	CIA
Import of goods and services	74% of GDP (2004)	UNDP
Export of goods and services	66% of GDP (2004)	UNDP
Corruption Perception Index	2.6 (2006)	TI
Gini Index	36.1 (1998)	CIA
Gender Equity Index	66 (2007)	Social Watch
Public Health Expenditure	1.5% of GDP (2003)	UNDP
Public Education Expenditure	4.4% (2001)	UNCTAD
FDI inflow	6.5 billion US\$ (2006)	Vietnam Ministry of Finance
BTI Management Index	4,73, Rank 74 (2007)	BST

5 <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aSkgeHLrRbmw>

6 http://www.publicprivatedialogue.org/case_studies/Case%20Study%2007a%20-%20Vietnam.pdf

export-oriented firms. This had to do in the main with the economic reforms that sought to transform the agricultural and centrally planned economy into an export-oriented market economy. Integrating Vietnam into global supply chains meant that CSR was primarily a means of gaining acceptance among trading partners and investors, of becoming a competitive economy, of adhering to international agreements and of responding positively to pressures exerted by international NGOs. It also meant that CSR was viewed as a strategic tool, to be deployed primarily within export-oriented firms. One example is the requirement that all companies of *VINATEX*, the state-owned consortium of garment and textile manufacturers, be SA8000 compliant, mainly because its standards are directly based on ILO conventions. Beyond the more narrow understanding of CSR as a system of compliance with externally induced standards and norms, it was also understood to mean corporate philanthropy. More recently, the government's understanding of CSR has also included a range of social, labor, environmental and ethical issues. CSR is also increasingly viewed as an element in business strategies that are capable of contributing to and complementing national strategies designed to bring about poverty reduction, social stability, economic development and environmental protection. However, while CSR public policy in Vietnam aims to be comprehensive, unifying, and reflective of the importance of the socialist state, it remains one of several efforts to integrate CSR into business strategies. The context of CSR policymaking is characterized by contested meanings and inconsistencies in regulation and implementation.⁷ Thus, the main challenges to CSR public policymaking are wide variations in how CSR is understood, multiple CoCs among buyers, differences between national labor codes and CoCs (e.g. regarding overtime work and freedom of association), inconsistencies in national regulation (e.g. regarding wage rates, benefits, and employment conditions), shifting and anonymous supply chains, and lack of transparency over current CSR practices.

CSR Policy Rationale

The development of CSR public policy in Vietnam is therefore a progression of the older corporate-centered concept of CSR as well as an indicator of the continuation of the key role of government within the country's political and economic system. It is possible to discern

two key rationales driving the government's engagement with CSR-relevant policy areas, taking Vietnam's core economic and social policy goals into account. CSR-relevant public policymaking follows the rationales related to international competitiveness as they pertain to an export-centered, emerging market through support for local business, on the one hand, and promotion of equitable and sustainable growth, on the other. These two rationales are closely connected, not least because growth has been linked to a large extent to the success of small, local and often individually or collectively owned businesses.

■ CSR Situation

CSR Public Policy: Understanding, Strategy

As stated above, the government's understanding of CSR is a holistic and public-sector-led notion of development, i.e. the harmonious coordination and management of economic and social development as well as environmental protection. While there is no explicit CSR public policy strategy, CSR-relevant public policymaking, which addresses a range of issues, is embedded within the broadly framed 2004 Strategic Orientation for Sustainable Development in Vietnam (Vietnam Agenda 21, VA21). Vietnam Agenda 21 in turn is based on the Global Agenda 21, or the Rio Declaration on Environment and Development, adopted by more than 178 countries at the UNCED (United Nations Conference on Environment and Development) in 1992. The first article of Vietnam Agenda 21 states that "the Strategic Orientation for Sustainable Development in Vietnam is the framework strategy composed of broad orientations, which are the legal foundations for ministries, sectors, localities, organizations and relevant individuals to follow through their implementation and cooperation activities in order to ensure sustainable development in Vietnam in the 21st century and express Vietnam's commitments to the international community."⁸

CSR-relevant public policy therefore relates to a number of areas: labor (international and national standards of occupational health and safety, working conditions, labor benefits, equal salary payments, employee training

7 <http://siteresources.worldbank.org/INT/PSD/Resources/Vietnam/VietnamFinalDec03.pdf>

8 http://www.va21.org/uploads/File/CTNS21/QD153final_eng.pdf

CSR-Relevant Policies		
Name	Date	Description and Reference
Vietnam Agenda 21	2004	<p>Framework strategy composed of broad orientations, which are the legal foundations for ministries, sectors, localities, organizations and relevant individuals to follow through their implementation and cooperation activities in order to ensure sustainable development in Vietnam in the 21st century and express Vietnam's commitments to the international community.</p> <p><i>Reference: http://www.va21.org/english/index.php?param=News&CatID=12</i></p>

and development), gender equality (equal pay), environmental protection and the development of local and regional communities. As such, while there are no CSR-specific legislative documents or policy papers, there are a number of CSR-relevant laws, the main policy statement to date being Vietnam Agenda 21.

CSR Public Policy: State Actors

The *Vietnam 21 Agenda office* is the most recently established public sector forum to focus on the goal of sustainable development, among other areas. It was set up to coordinate, organize and deploy VA21, with the aid of both national ministries and international organizations. At the national level, its role is to develop policies and

propose solutions in collaboration with various ministries for the implementation of VA21. It also acts as a focal point with regard to coordinating and promoting international cooperation projects.

Five other national public sector bodies are especially involved in CSR-related activities, namely the *Ministry of Labor, War Invalids and Social Affairs (MOLISA)*, the *Vietnam General Confederation of Labor (VGCL)*, the *Ministry of Science and Technology*, the *Ministry of Industry*, the *Ministry of Health* and the *Ministry of Planning and Investment*. The main areas of activity are labor-related issues such as occupational health and safety, protection of workers' rights, standard setting and assessment.

Selected CSR State Actors		
Name	Short Description	Main Activities and Reference
Vietnam Agenda 21 Office	National authority, set up to coordinate, organize and deploy the VA21 program	<p>Organizes sustainable development activities nationwide (workshops, training courses, technical assistance and information dissemination), cooperates with concerned ministries, cooperates with national and international institutions to provide consultancy for the establishment of the National Council for Sustainable Development.</p> <p><i>Reference: http://www.va21.org/english/index.php?param=NewsInfo&key=201</i></p>
Ministry of Labor, War Invalids and Social Affairs	Public authority for labor-related issues, social assistance and anti-social issues	<p>Develops and in charge of national program on labor protection, occupational health and safety. Provides procedures and norms of occupational health and safety.</p> <p><i>Reference: http://www.molisa.gov.vn/gioithieu/introduce.asp?maq1=m1</i></p>

Vietnam General Confederation of Labor	National trade union set up to protect the legitimate rights of workers and members	Develops recommendations on policies related to workers. Provides information and performs administrative activities. Implements programs concerned with the improvement of trade unions. Reference: http://www.congdoanvn.org.vn/english/default.asp?1=1
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CSR Public Policy: Nonstate Actors

MNCs, international donor and aid agencies, national business coalitions as well as trade unions are the main civil society actors in the field of CSR promotion in Vietnam.

MNCs have been the key drivers for Vietnam's development in the field of CSR in general, primarily as a result of pressures on MNCs by consumers and civil society organizations to apply stringent CoCs. Examples of such MNCs in Vietnam are *Nike*, *Adidas*, *Timberland* and *Gap*. This has had implications for the CoCs of foreign invested Vietnamese companies, which are export-oriented, labor-intensive and/or environmentally sensitive. Examples are companies dealing in footwear, garments and textiles, food processing and wooden products, as well as traditional art and handicrafts such as bamboo, embroidery, ceramics and porcelain.

International and national NGOs are therefore increasing in voice and influence regarding the setting of standards. *ActionAid International Vietnam* and *Care International* are two international NGOs that promote CSR through lobbying, publicity, training, consultancy, dialogue and rewards for good CSR performance. Moreover, a number of development agencies are active in Vietnam and contribute to various cooperative projects, mainly in the field of labor, health and safety. The main agencies are the *UK Department for International Development (DfID)*, the *Danish International Development Agency (DANIDA)*, the *Swiss Secretariat for Economic Affairs*, the *US Department of Labor* and Germany's *GTZ (Gesellschaft für Technische Zusammenarbeit)*. *GTZ* has also partnered with the *University of Labor and Social Affairs (ULSA)* in training lecturers in CSR and developing training materials for CSR subjects.

National NGOs such as the *Vietnam Center for Development and Integration* are slowly gaining in influence and contribute through research, advocacy, monitoring and evaluation, and by implementing programs and community development projects. These roles are both enabled as well as legitimized by the Vietnamese media, which still take their lead from the government. The media play a positive role by bringing together various actors currently addressing the importance of CSR and CSR policymaking in Vietnam. This happens through a number of activities, including coverage of CSR-related awards and promotion of the concept of CSR in conjunction with various partners, including government agencies, NGOs and businesses.

National business coalitions have also been active in the field of CSR. Examples are the *Vietnamese Business Links Initiative (VBLI)* of the *Vietnamese Chamber of Commerce and Industry (VCCI)*, the *Vietnam Textile and Apparel Association (VITAS)* and the *Vietnamese Leather and Footwear Association (LEFASO)*. CSR promotion in these associations ranges from research, training, consultancy and information dissemination to the development of technical manuals and annual awards. At the international level, while Vietnam has signed the Global Compact principles, these have not been directly promoted so far.

Trade unions remain important in the CSR context through a number of activities including the amendment of labor laws and regulations; supervising companies' implementation processes regarding salaries, social insurance, health and safety; launching environmental protection campaigns; conducting CSR-related workshops in companies; and participating in various annual CSR awards that honor best-practice companies.

Selected CSR Nonstate Actors		
Major Business Actors		
Vietnam Business Links Initiative	National business coalition, covering 60 percent of Vietnam's leather and footwear industries	Leading initiative to drive social standards as well as health and safety regulations within the footwear export sector, with a view to covering not only foreign directed businesses but also local SMEs. <i>Reference: http://www.iblf.org/media_room/general.jsp?id=123666</i>
Civil Society		
Vietnam Center for Development and Integration	Nonprofit, nongovernmental organization	Resource, research and awareness-raising center, which aims to promote sustainable socioeconomic development and good governance in order to bring about an equitable society where the well-being of poor women, girls, men and boys can be best respected and served during the rapid economic integration taking place in Vietnam and Asia. <i>Reference: http://www.cd vietnam.org/default.aspx?portalid=26&tabid=245</i>

CSR Public Policy: Instruments and Activities

a. Mandatory Framework

The mandatory framework relating to CSR activities incorporates laws passed in the areas of labor, corporate governance and environmental protection. The main laws passed in the context of labor are the Labor Code (1994, amended 2002), the Law on Trade Unions (1990), the Law on Environmental Protection (1991, amended 2005) and the Law on Social Insurance (2006).

In the area of labor, the ILO is of particular importance, providing guidelines for labor laws, including those covering child labor, collective bargaining and dispute settlement. Vietnam has ratified most conventions⁹, the latest being the convention on forced labor.¹⁰

The Vietnamese government has passed a number of laws since 2004 to influence corporate governance, such as the Enterprise Law, Law on Foreign Investment, Law on Securities, Law on Procurement, and Law on Cooperatives. These laws also relate to the areas of

mandatory reporting. The basic elements of enterprise governance covered in the Law on Enterprises, the Law on Securities and the Model Charter for Listed Companies were adapted from OECD guidelines.¹¹

There are also laws in place covering the area of environmental protection and responsible consumption, such as the Law on Special Consumption Tax (2004), Law on Environmental Protection (2006), Law on Water Resource (1998) and Electricity Law (2005).

Legislation regarding the consultation of stakeholders other than trade unions and business associations has just been passed in July 2007 in the form of the Grassroots Democratic Ordinance. This decree provides for consultation with local communities, especially regarding socioeconomic development strategies, environmental plans and infrastructure development.

While a number of public sector activities are under way to disseminate information on laws and regulations, the main challenges towards effective implementation of these laws are the rapid rise and influence of privately

9 <http://webfusion.ilo.org/public/db/standards/normes/appl/appl-byCtry.cfm?ctychoice=0940&lang=EN&hdroff=1>

10 <http://www.vietnambassy-usa.org/news/story.php?d=20070130125706>

11 <http://vietnamnews.vnagency.com.vn/showarticle.php?num=01BUS230807>

Note: The OECD Principles of Corporate Governance focus on six factors: an effective governance framework, the rights of shareholders, equitable treatment of shareholders, the role of stakeholders, disclosure and transparency, and the responsibilities of the board of directors.

owned companies and business associations, unclear responsibilities, poor accountability and lack of transparency.

b. Soft Law

International conventions have thus far provided the main impetus for CSR-related public policy. CSR tools regarding cleaner production and health and safety are being developed under a number of international technical and financial assistance programs. Furthermore, voluntary frameworks play a role in trade, notably between the US and Vietnam. A 2003 textile trade agreement includes an obligation for the Vietnamese government to encourage the implementation of SA 8000 in return for access to the US market.

The GTZ-AVE-Vietnam Business Links Initiative Project is an example of a multilevel approach that consists of developing soft law, partnering and, as a result, raising awareness of internationally accepted standards that have a bearing on production methods, in both environmental and labor terms, for Vietnam's businesses. Germany's *Foreign Trade Association of the Retail Industry (Aussenhandelsvereinigung des Deutschen Einzelhandels)* cooperates with GTZ and VBLI to create uniform social standards in German retailing. This PPP thus affects important markets such as Vietnam by establishing a system for auditing suppliers. Until now, however, relevant standards have been discussed but have not been implemented.

The government has been very active in ensuring compliance with minimum standards by amending laws and regulations, by ensuring labor inspection by local authorities, by naming and shaming poor performers, by providing training together with trade unions and other NGOs and by recognizing best practices in the area of CSR. While minimum labor standards are mandatory and are applicable to all employment relations in Vietnam, the government encourages the adoption of agreements that provide more favorable working conditions (Art. 9 of the Labor Code). These benefits depend on each organization's human resource policies. However, their application generates tax-related obligations for both employees and employers.¹² Moreover, MOLISA is also engaged in developing codes of conduct for various industries, especially those related to the leather and textile industries, the backbone of the Vietnamese export economy.

c. Initiatives and Partnerships

The public sector aims to integrate CSR into mainstream labor, economic, social and environmental policies by deploying a number of instruments in cooperation with national business associations as well as international bodies and NGOs. The role of donor countries and donor agencies has been very important in shaping CSR-related partnerships. In the area of occupational health and safety, there are a number of partnerships in place. The UK's *DfID* has had significant input regarding this issue. In 2006 the National Program on Labor Protection, Occupational Health and Occupational Safety was launched. Key participants are *VGCL*, *VCCI* and the *Vietnam Cooperative Alliance*. The national program guides legislation and the creation of an information network on Occupational Health and Safety (OHS), in order to comply with the ILO's Convention 155, which Vietnam has ratified and which states that national legislation shall ensure a certain level of OHS.

The government of Switzerland has helped set up the *Vietnam Cleaner Production Center*.¹³ Furthermore, the integrated program of cooperation between Vietnam and UNIDO has been set up to address institutional capacity-building and support for the SME sector, cleaner production and micro-entrepreneurship development and to provide assistance for forming a coherent strategy of sustainable industrial development in Vietnam.

There are also examples of PPPs managed by GTZ to help improve the competitiveness of various value chains in Vietnam. GTZ has engaged private sector companies and the government to help improve the competitiveness of the pangasius (cat fish) value chain and raise incomes for small pangasius farmers.

A further PPP is the GTZ-AVE-Vietnam Business Links Initiative Project, named above. The AVE sector model also involves roundtables on behavioral codes regulating the retail sector. Five round table workshops were held, of which the last one took place in 2006 on the topic "How to raise public awareness through sustaining social dialogues on corporate social responsibility."

The public sector, especially MOLISA, also attempts to cooperate with business to endorse pro-CSR production and consumption by, for instance, helping develop sectoral guidelines. One important example is the CoC developed for Vietnam's leather and footwear industry.

¹² http://www.tillekeandgibbins.com/Publications/VN_articles/VN_minimum_labour_standards.pdf

¹³ www.vncpc.org

d. Incentives

Income tax incentives as regulated in the Law for Enterprise Income Tax are used to encourage companies to integrate CSR into their core business in the following cases: goods production and trading and/or service provision by disabled laborers; provision of job training for disabled people and children in exceptional need; production involving a significant number of female laborers; and production involving a significant number of laborers belonging to ethnic minorities.¹⁴

The annual CSR Award – Footwear and Garment Industries in Vietnam has been conferred by a partnership bringing together government, business associations and NGOs since 2006. It was initiated by *ActionAid International Vietnam*, in cooperation with *VCCI* and *LEFASO*. Through relevant ministries (*Ministry of Industry, Ministry of Planning and Investment* and *Ministry of Labor, War Invalids and Social Affairs*), the government plays the role of steering member.

A further high-profile event is the Annual Championship of Occupational Health and Safety, which is coorganized with *VGCL*.

e. Awareness

Awareness raising regarding CSR-relevant laws, as named above, plays an important role in the range of CSR activities in the public sector. Training and research are two of the main methods for disseminating information. *VBLI* regularly organizes training workshops on occupational health and safety in the leather and footwear industry, using the expertise of several ministries, primarily of *MOLISA*.¹⁵ Research is also conducted by *VBLI* in the relevant areas of worker consultation on OHS, on related international standards such as ISO 14001 and OSHAS 18001, on levels of dust, noise, heat and chemical vapors, and on female labor and gender issues in the footwear industry.¹⁶ The government endorses local standards as well as international standards ISO 14001 and SA 8000.

Quite clearly, many of these instruments logically follow Vietnam's CSR public policy strategies. Voluntary frameworks and the endorsing of international standards is a means of enhancing the international competitiveness of Vietnam's export-oriented economy. Moreover, partnerships and voluntary agreements address CSR-relevant issues by influencing policymaking as well as develop-

ing and implementing guidelines and standards. These partnerships often serve to support local businesses at the bottom of the supply chains, which increasingly have to comply with international production and labor standards. The promotion of equitable and sustainable growth is a more recent aim, mainly promulgated by the *Vietnam Agenda 21 office*, and it necessarily calls for high levels of awareness raising as a starting point.

So far, national-level CSR activities have focused on protecting Vietnam's human capital and adhering to international standards of production and goods. While there have been developments regarding corporate governance, the main challenges are inconsistencies between national and corporate guidelines and between separate legal codes for state and private enterprises, as well as variations in understandings of CSR, of strategies and of instruments. It remains to be seen whether the *Vietnam Agenda 21 office* will be able to provide solutions to this issue and to bring the problem of environmental degradation to the fore.

■ CSR Public Policy Maturity

While there is no one visible contact point within the government, apart from the *Vietnam Agenda 21 office*, which is in its infancy, there are several public sector bodies dealing with CSR-relevant issues. So far, CSR strategies are implicit rather than explicit and are based on a variety of understandings and priorities. Existing instruments include awareness raising and endorsing, partnering, incentive creation, soft laws and mandatory frameworks. However, there is no visible evaluation of the still nascent CSR activities by the government. Moreover, public policy implementation remains a problem due to corruption, lack of capacity and human resources, lack of adequate training and resistance by various business actors, who either prefer to self-regulate or who resist the idea of CSR as being integral to business, social and national development. As such, Vietnam's CSR policy is in the process of development and therefore can be said to be a borderline case, i.e. moving rapidly from the first generation to the second generation of CSR public policy maturity.

¹⁴ <http://www.usig.org/countryinfo/laws/Vietnam/Decee%20177-1999-ND-CP.pdf>

¹⁵ <http://www.vcci.com.vn/sub/vbli/default.htm>

¹⁶ <http://www.vcci.com.vn/sub/vbli/default.htm>

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Implementing CSR

Experiences from the work of the German Technical Cooperation

German Technical Cooperation's approach to CSR

Every navigator needs an instruction manual. Actors dealing with a navigator need certain skills to use it. As has been outlined above, different countries use very different approaches and use a number of different instruments in the realm CSR. In the process of analysing what rationale of CSR is in a specific country and finding the right instruments to achieve the right ends German Technical Cooperation can support developing countries in different ways. The *how* to do it is central for the impact of CSR. Actually implementing CSR is not easy and there are a number of challenges to overcome. Awareness might be lacking, interregional or inter-institutional cooperation might need to be established, actors might not want to cooperate or some stakeholders might be reluctant to participate because they do not see a benefit, knowledge and experience on how to implement soft laws and incentives might be missing, standards or policies need to be tailor made.

For German development cooperation, CSR is not a new topic. CSR is closely connected to the principles of a number of priority areas of German development cooperation, such as reducing poverty, building peace, promoting equitable forms of globalization and protect the environment and seen as a prospect to manage the opportunities of globalisation, such as increased trade, and approach challenges from industrialisation, like environmental hazards. The Deutsche Gesellschaft für Technische Zusammenarbeit GmbH (GTZ), the Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG), Internationale Weiterbildung und Entwicklung GmbH (InWEnt) and the Deutscher Entwicklungsdienst (DED) have conducted numerous CSR projects. Since more than 20 years these organisation have been working in this field and gained considerable experience on how to develop an implement different CSR activities. In accordance to the developments in the global economy and the approaches used by organisation to work with developing countries, the activities of German development cooperation extended and diversified. Today German Technical Cooperation is well equipped to support developing countries in their demand for comprehensive CSR strategies through advising on the design of CSR systems, develop national CSR capacities, and support the build up of CSR structures and processes. The way towards today's CSR engagement of German Technical

Cooperation can be distinguished according to three stages, which are outlined in the following chapter. It is difficult to pinpoint the shift from one stage to another but the outline is useful to illustrate the build up of German development cooperation's CSR portfolio.

From Pilot-Projects....

Since the 90ties, the involvement of the private sector in development countries rose steadily and their investments exceeded the official development aid. The awareness being drawn to international value chains by NGOs and critical media, the private sector saw its chance to contribute to sustainable development. Recognising the enormous potential to achieve the goals of the development agenda, German development cooperation started to look for opportunities to work more closely with the private sector. For German Technical Cooperation, the first phase of the engagement with CSR activities was characterised by projects aiming at individual companies or NGO driven initiatives. One example is a Rug Mark initiative in Nepal and India funded by German development cooperation in the mid 90ties. Rug Mark is a label for carpets being made without the use of child labour. Other initiatives supported by German Technical Cooperation were Fair Trade and organic farming. These projects were closely related to export promotion and the endeavour of German Technical Cooperation to integrate small producers into appropriate niche markets. Many smallholders were at that time not able to supply big retailers in OECD countries. Instruments used by German Technical Cooperation in this stage thus where mainly connected to the support of labelling initiatives, creating incentives for different businesses and raising public awareness.

...Via Mainstreaming

At the turn of the century, the Federal Ministry for Economic Cooperation and Development (BMZ) set up a PPP-Programme as a special mechanism to enable German Development Cooperation to work with the private sector in a more systematic manner.¹ The PPP Fund thus links the public and private sectors in their activities abroad, taking advantage of the synergies. Since the implementation of the fund, this idea proofed its success by the completion of more than 800 German projects.

In addition to the PPP-Programme, the BMZ commissioned GTZ in 2000 to set up a Programme on Social and Ecological Standards. This programme not only con-

1 BMZ (2005): Public Private Partnerships (PPP) in der deutschen Entwicklungszusammenarbeit

sults the BMZ on voluntary standards, their role in development cooperation and their significance as instruments for sustainable development. It also supports voluntary standard organisations such as the Forest Stewardship Council or the Business Social Compliance Initiative and sustainability initiatives such as the Common Code for the Coffee Community (4C) and closely works with the private sector to shape sustainable international supply chains in multi-stakeholder dialogues. The Programme for Social and Ecological Standards collects and publishes lessons learnt and intensively works on the impact of voluntary standards. It implements pilot-projects to develop innovative solutions to face the challenges of voluntary standard implementation and sustainability of supply chains.

With these two programmes – PPP and the Program on Social and Ecological Standards – German Development cooperation had a good starting point to work on CSR issues. The program on social and ecological standards had a central supporting role in the establishment of the German Round Table on ‘Codes of Conduct’, which was established with the support of the BMZ in 2001 to enable trade unions, private companies, NGOs, labour unions, and public sector representatives to discuss on social standards, their development, and implementation via codes of conduct. The German Round Table on ‘Codes of Conduct’ and later on also the German network of the UN Global Compact initiated an intensive dialog between German development cooperation and companies, civil society and labour unions in Germany and which in turn gave rise to various PPPs (see Box 1).

From the end of the 90ties, the market for socially and ecologically sound products grew considerably, countries and therefore sectors became more reform-friendly. From the perspective of German development organisation, it became apparent that the initiatives launched so far, even though successful, had a confined impact. As a result, German Technical Cooperation increasingly resorted to more extensive strategies when implementing CSR and tried to move out of niche and alternative markets by addressing entire sectors. The challenge was to develop basic standards that could be complied with by a majority of producers who would gradually be enabled to later on comply with the more ambitious standards. The ‘Common Code for the Coffee Community’, and the “sector model for the implementation of social standards in the textile industry” / ‘AVE-Project’ are projects that illustrate the new characteristics of the PPP work of German Technical Cooperation in CSR.

The **Common Code for the Coffee Community (4C)** is an association of stakeholders representing producers, trade and industry and civil society worldwide seeking to improve basic social, environmental, and economic practices of coffee production. Before the association came into being, the cooperation between German Technical Cooperation and the other stakeholders went through different stages. Since the beginning of the 90ties, some coffee importers engaged in projects with coffee producing countries and in 1995, the GTZ started to work with different multinational coffee traders and roasters. These single projects showed positive impact at local level but did not yet tackle the structural weak-

Box 1 – German Development Cooperation and the Global Compact

GC and PPP are interconnected, as through PPPs the ten principles of the Global Compact are put into practice, also in the work of the German Development Cooperation. GTZ is coordinating the German Global Compact network. Currently, Global Compact Germany has over 115 members, comprising 90 companies, 20 of which belong to DAX 30.² Based on their GC membership, DED is cooperating with GC networks in partner countries by dispatching experts.

The Global Compact enables companies to discuss and develop ideas and projects with other

participants, it is a practical instrument to solve challenges with the help of the various interest groups. Apart from directly implementing the principles in their firm, the GC offers companies numerous additional opportunities to engage in activities. The five areas of engagement encompass partnerships (e.g. PPP to support broader UN goals such as the Millennium Development Goals), the build up of local networks, advocacy and awareness raising, policy dialogues and learning forum and collective action.

² For further information on the Global Compact Germany see <http://www.gtz.de/de/leistungsangebote/2677.htm> or <http://www.unglobalcompact.org/> for general information for general information

nesses of the coffee market. Thus, the GTZ was looking for possibilities to mainstream social and environmental standards in the coffee sector.

4C started in 2002 as a PPP initiated by the BMZ and implemented by the GTZ and the German Coffee Association (DKV). In 2004, the Swiss State Secretariat for Economic Affairs (SECO) joined the initiative and the European Coffee Federation replaced the DKV. From the beginning, the 4C project was based on a multi-stakeholder approach in supporting social standards in coffee production. During the design, development, and implementation process of the 4C code of conduct representatives from over 20 countries were participating. The code of conduct has been tested in pilot projects in coffee producing countries worldwide, a verification system has been developed and 4C has been institutionalised as an association in 2006. Tools used in this process were mainly partnership brokering via multistakeholder dialogue, technical expertise, pilot implementation of 4C standard, organisational development and institution building, dissemination workshops, training for trainers

The **AVE-Project** was established by the GTZ and the Foreign Trade Association of the German Retail Trade (AVE) in 2003 and focused on the implementation of social standards. It evolved from small and singular PPPs that the GTZ conducted with different companies to a program that encompassed the sector of textile retailers in Germany. Members of AVE such as the Otto Group, KarstadtQuelle, C&A, Deichmann, Metro and Peek & Cloppenburg, all of them important German retailers, had agreed on a common code of conduct based on internationally accepted guidelines, such as the core labour standards of the ILO and the SA 8000 standard for social accountability, to be implemented by major supplier in Bulgaria, Bangladesh, China, India, Indonesia, Pakistan, the Philippines, Romania, Thailand, Turkey and Viet Nam. Before, some of the companies already had internal standards, which were not compatible with each other, entailing high cost for their suppliers who often work with different customers. The AVE-Project consisted of the implementation of standards. This entailed several steps. First, workshops with the supply companies were conducted in the 10 target countries of the project. Then, an assessment of companies from supplier countries was carried out. This was followed by audits of companies to identify shortcomings, understand local conditions, and determine the need for

corrective action. Suppliers that failed to meet the requirements of the German partners received assistance in developing and implementing solutions, strengthening their competitiveness and improving the living and working conditions of their employees. Furthermore, regional advisory and upgrading services were offered via multi-stakeholder forums coordinated by the GTZ in the form of Round Tables. These national Round Tables stimulated a broader discussion on social standards beyond the experiences of particular enterprises and sectors and were attended by members of the AVE and their suppliers, representatives of governments, trade unions, and non-governmental organizations. Between 2003 and 2006, more than 50 Round Table meetings have been held in various countries. During the implementation of the project, more and more European companies joined the initiative and decided to launch the Business Social Compliance Initiative (BSCI) in Brussels. Main tools used were round tables, workshops with suppliers, training for suppliers, and exchange of experiences.

Box 2

Cotton Made in Africa, started in 2005, is a project jointly run by DEG, GTZ Welthungerhilfe, Naturschutzbund Deutschland (NABU) and World Wide Fund for Nature (WWF) with Otto Group, and other companies. The project promotes cooperation between the European textile industry and around 100.000 cotton growers in Benin, Burkina Faso, Chad, and Zambia. The aim is to guarantee a stable income to farmers along with improving social and environmental standards in cotton production. Central is the establishment of a demand alliance among major retail chains for high-quality cotton produced sustainably by small-scale farmers in Africa. The project will cater to a big market and is consumer oriented; implying that social and ecological improvement will not be bought by higher prices on end products but will be achieved cost neutrally.

Box 3

The GTZ program on **HIV/AIDS Control in Companies in Africa (ACCA)** aims at the set up and integration of HIV/AIDS workplace policies into companies' health management. GTZ is working together with intermediary organisations, like Business Coalitions Against AIDS and sector associations, and workers' representations as well as companies. Advising on the design and implementation of HIV/AIDS policies, the build up of networks, capacity building, and monitoring, are components of the support.

Box 4

InWEnt developed the **Social Standards Exchange of Experience in Southeast Asia and Practical Learning (SEAL)** Programme to support the implementation of social standards and the improvement of working conditions in small and medium sized enterprises (SMEs). SEAL provides funds for several instruments to both promote social standards awareness, as well as provide technical assistance for SME's to implement and maintain a social management system in Indonesia, Philippines, and Vietnam.

SEAL is geared towards

- Raising awareness to capture the interest of entrepreneurs and managers for socially responsible actions
- Building the capacity of trainers and supporting institutions to pave the way for the establishment of sustainable consulting facilities on social management systems
- Introducing Social Management Systems for implementation to selected SMEs
- Ensuring communication: Promotion of networking and exchange among stakeholders

Instruments used

- Information and Sensitization workshops
- CEO forums
- Training of Trainers
- Consultancy for implementation (SMEs)
- Computer Based Training / E-learning / blended learning
- Networking events
- Marketing (PR measures / advocacy / media / publications)

Source: <http://gc21.inwent.org/lib/en/site/sealasia/libt/xhtml/index.sxhtml>

As can be seen from the above, in this second stage, German Technical Cooperation approach geared more towards mainstreaming initiatives. In addition to single companies, partners increasingly intermediary organizations such as private sector associations. Accordingly, the instruments employed were aligned to reach a broader scope, such as multi stakeholder dialogue and sector approaches like the harmonization of standards or workplace policies.

...Towards a Multi Level Approach

In the first two stages, CSR was preliminarily an issue of the private sector and governments in developing countries only took a supportive role in some initiatives, such as in 4C or participated in Round Tables.

Nevertheless, they did not have CSR policies to encourage their multinational or small and medium sized companies to address sustainability strategically.

Increasingly, governments are becoming aware of the benefits CSR can have for the general development and competitiveness of their country. As a result, they seek out possibilities to foster a beneficial environment and create framework conditions to stimulate and improve CSR. In developing countries, the interest in CSR can be motivated by different circumstances, depending on the level of industrialisation and embeddedness into international systems, cultural and religious traditions and the internal tensions. For instance, for countries dealing with internal conflicts, CSR can be an aspect of peace building by integrating and developing the business society as a stabilising factor (see Box 5). For countries that are among the rapidly industrialising economies it is based on the recognition of companies and governments that responsible business management is becoming an ever more relevant criterion for market access or access to the value chains of international companies. This demonstrates an increased need for comprehensive and competent consultancy to enable governments to implement effective strategies. During consultation processes with the German government, partner countries expressed their interest in CSR consultancy. The challenge is to devise a national and appropriate CSR strategy, because every country has a specific balance in the roles of government, society and market, which needs to be transferred to the respective CSR systems.

Box 5 – The Private Sector Promotion project

The Private Sector Promotion project (PSP) of GTZ Nepal addresses the issue of conflict through a range of activities. PSP's support is delivered through a joint business community undertaking known as the National Business Initiative for peace (NBI). The NBI was conceived during a National Business Conference in July 2003, with the aim to harness private sector efforts in peace-building and application of conflict-sensitive practices, such as, just and inclusive employment opportunities. The NBI at present consists of 16 leading business associations in Nepal. The private sector is considered a good partner towards peace building for several reasons, but primarily, it is the only segment which has a legitimately elected representation at local, regional, and national level. In addition to its keen interest to end conflict, the business community has a remarkable network, credibly representing business houses, communities, cooperate organisations along side key members of the society.

The NBI and its partners work in four areas: Awareness Raising, Trust Building and Institutional Development; Corporate Social Responsibility (CSR) practices; Social investment and Policy dialogue. CSR combines business development with societal progress. CSR as an

instrument can help to minimize post conflict frictions in the society. The concept of corporate social responsibility can serve as a plan to involve the business community in Nepal to promote peace-building in the country

CSR can be an active tool to placate the current situation in Nepal. When organisations start taking responsibilities for the impact of its activities beyond the legal obligation, they start improving the quality of life for its employees, and their families, as well as, for the local community and society at large. CSR, however, is understood as a charity-based philanthropic notion in Nepal. Mostly, it is driven by religious beliefs, where it is considered inherently good to share one's prosperity. Therefore, activities should pay tribute to good philanthropic initiatives, and try to develop these into a more strategic direction. Traditional philanthropic attitude is a good starting point to localize CSR toolkits and training manuals, and contextualize CSR concepts. Local resource persons can also be used for CSR promotion. Individual contributions and traditional charitable practices can be fed into business membership institutions. Comprehensive training is needed to enhance the private sector's responsibilities towards workplace, market, community, and the environment.

In China and India, the GTZ now foresees to use a multi-level approach working with the government, associations, and the private sector to assist in the integration of CSR in their respective policies, practices, and strategies. The projects aim at formulating consistent and country specific concepts of CSR and build up national competences. Even though single companies in these countries already use some sort of CSR approach there is no overall accepted guideline on social and economic standards adapted or corporate governance to the cultural and economic features. On the macro level, the government is advised in the design of a favourable framework for CSR, including policy instruments to advance awareness and understanding of the concept as well as to promote selected activities. On the meso level, the GTZ works with respective economic umbrella organisations and regional civil organisations. This is supplemented by pilot projects with companies. Instruments used are the

initiation and promotion of working and coordination boards, consultancy of experienced specialists, training of specialists from the respective partner country (See Box 6), support to events and research studies, the organisations of seminars, working groups and round tables, pilot initiating of PPP. In the following paragraphs two projects in China and India will be lines out in more detail as from these projects the new approach of German Technical Cooperation becomes evident.

In China, CSR is in line with the concept of the "harmonious society". The main rationales underlying the CSR engagement in China are to enhance international competitiveness and address the challenges to socio-economic integration. The CSR project aims at tackling these issues by the build-up of dialogue structures and capacity on CSR as well as CSR implementation systems at national and local levels. Activity areas are the build up of a CSR

dialogue platform, a CSR information and research network and international exchange.

- On the national level and provincial level, GTZ supports the process of the Chinese government and private sector of defining a coherent CSR-concept for China.
- Research and surveys on CSR will collect best practices to then be published and disseminated.
- Further work will include the promotion of CSR through the media and public events.
- Round tables to bring stakeholders together will also be another instrument, focussing preliminary on specific questions and methods. The Round tables held so far showed an immense interest in the topic by all stakeholders and indicate the ownership China is taking in the process.
- On the micro level, PPP funds will allow companies to get expertise and assistance in implementing their CSR ideas.

These measures will upgrade stakeholders CSR performance and promote social and ecological standards, leading to enhanced international competitiveness.

The “Market economy with a human face” is the Indian base for CSR. CSR in India is mainly driven by challenges to socio-economic integration and the enhancement of competitiveness while building upon traditional values. The Indo-German CSR initiative project aims at developing a coherent, country specific understanding of CSR, improve the policy framework on CSR and promote the developed approach, by a systematic experience appraisal of Indian and European CSR policies and practices. This will be done by exchanging experiences between German/European on CSR policies and the initiation of a German/Indian expert network to establish cooperation between institutions and prepare dialog processes.

Instruments to be used are the

- Identification, analysis, documentation and publishing existing good practices of CSR and analysing selected CSR practices and initiatives in Europe
- Supporting the ministries and private sector associations in developing CSR policies through consultation, national conferences, events and publications
- Analysing CSR related public/governmental policies and meso level private sector initiatives in India and analysing related public policies in Europe by policy

analysis, study tours, hospitations, regional conferences, staff exchange and joint publications

- Development of services for integration SMEs in regional and national value chains by implementing and supporting pilot activities through round tables, audit and capacity development and the development of tools.

The company level is used as mediator, small and medium sized companies will be targeted through respective umbrella organisation. Chambers and organisations are connecting *top down* (awareness rising and implementation) and bottom up (problems, experiences of the micro level) measures.

Box 6

In the **Factory Improvement Training fit 5** project, InWEnt is working together with the TÜV Rheinland and CSR Asia in the development of a multi-supplier training program for the apparel sector in China. The project links productivity and quality with CSR using an integrated five modules approach to increase the efficiency in the Chinese supply chain for CSR gains, aiming at a behavioural change. The five modules include communication, human resource management, lean manufacturing, health and safety, and social accountability. The program starts with a group of six factories for six-month training. A consulting curriculum was designed to integrate efficiency and good workplace practices. The Training sessions for each module include group sessions with the management from all factories, factory visits, and onsite consulting by specialists. It is planned to extend the project to other appropriate sectors and countries in Asia.

Source: <http://www.fit5.net/index.html>

Figure 1: Levels of Intervention of German Technical Cooperation



Adapted from Bodenbender et al, 2007:11

Figure 1 shows an overview of the different projects and their starting time in the context of international events. The projects outlined mention an abundance of instruments that can be used. Figure 2 summarizes and systemizes these instruments.

CSR – Prospects for German Technical Cooperation

Lessons learned

The Experience of German Technical Cooperation with CSR projects suggests the slow build up of the CSR portfolio as a useful strategy. Within this process, the PPP format of cooperation with the private sector was extremely valuable. The implementation of different pilot projects and the orientation towards practical approaches showed how development cooperation could contribute to CSR. A central aspect is the significant extension of the impact of CSR through multi-stakeholder processes, the inclusion of the private sector and the supportive role of government. The experience with projects concerning CSR issues has generated an expertise pool that German Technical Cooperation can tap. The following

paragraphs outline some of the lessons learned from the experience of previous projects.

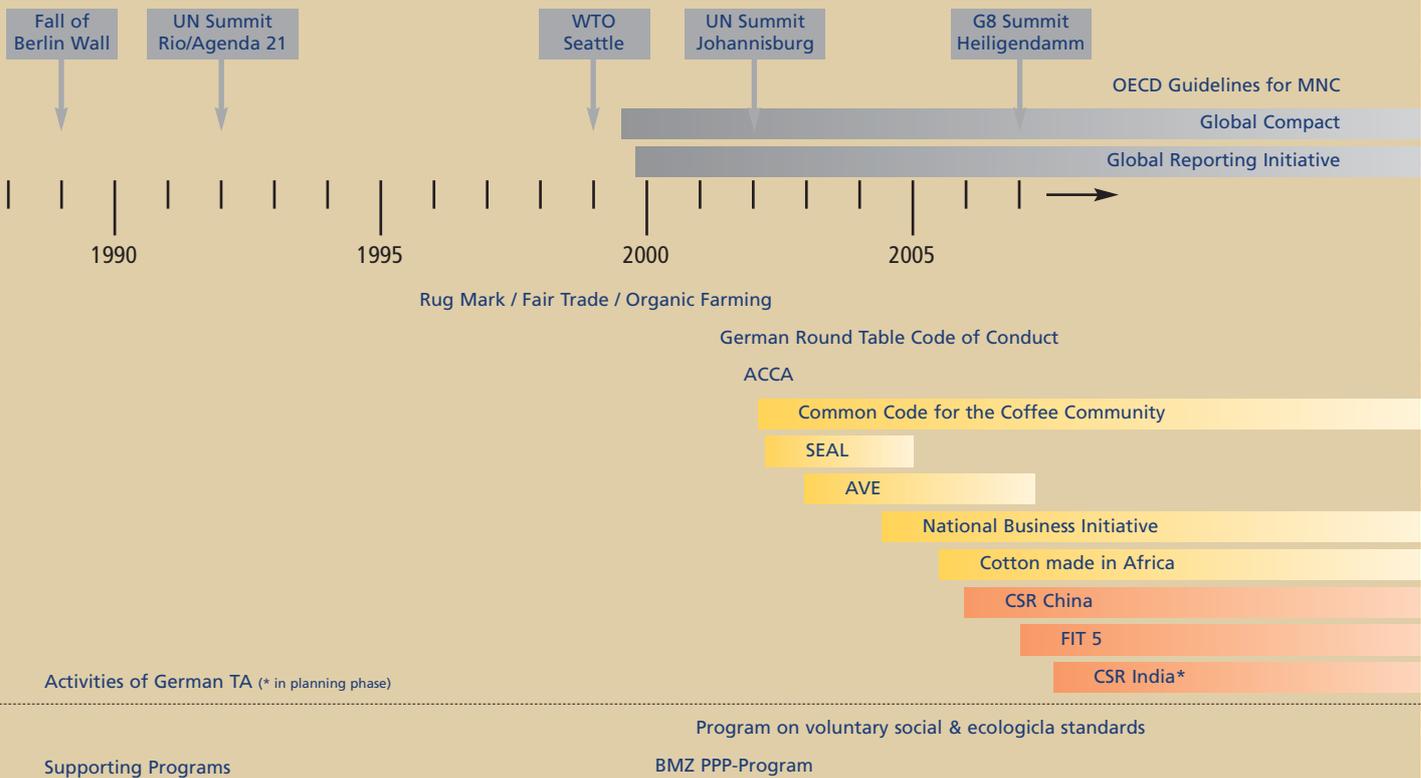
- 1.) CSR activities are most promising when development cooperation works simultaneously on all levels: on the micro-level/ company level (for example implementation of standards at the production level), on the meso level (capacity development in local institution / control bodies that conduct/ implement audits) and at the macro level (cooperation with national governments and international organisations).
- 2.) Governments have always been represented in PPPs dealing with CSR but lately the demand for CSR is coming directly from the public sector and recent projects commenced systematic cooperation with governments in CSR projects. Since this form of cooperation carries the potential to strengthen the projects' pro-poor effect, and to develop a greater structure-building impact, there is the need to intensify relations with the political level through consultations with other stakeholders and the engagement of GTZ country offices.

- 3.) Design and implementation of environmental and social standards are one of the fundamental issues in many CSR projects. The means by which standards are set and implemented vary. Not always is it possible to include all stakeholders in standard initiatives. The coordination process of many stakeholders is complicated but is worth the effort for stakeholder support, transparency, and credibility. The aim is therefore to further increase inclusion of producers and suppliers in developing countries to strengthen the developmental impact of standards. Enhancing the CSR capacity of these actors is a crucial prerequisite.
- 4.) For the design of multi-stakeholder processes, it is important to identify central, highly motivated persons to mobilise the initiative. Clear agreement as to roles and responsibilities is also essential. As the build-up of trust increases the effectiveness of the process, it is important for German development organisations to ensure neutrality and continuity in their role as moderators. The earlier important stakeholders can be integrated into the process, the higher its legitimacy and acceptance will be. At the beginning, an intense stakeholder analysis is vital.

- 5.) Development organisations should actively look for possibilities to engage in PPP with CSR character and offer their support in design and implementation. The earlier development organisations enter the process the better they can ensure for a sustainable and developmental approach, using their expertise, their networks, and their role as moderator to help design standard, implement them, and include stakeholders from development countries in the process.

The initiative of developing countries' governments to engage in CSR represents a great opportunity to support sustainable development. Even though the participation of governments cannot substitute for the vital commitment of the private sector, this additional feature can significantly increase the dynamic of CSR and its impacts. Governments' important role further derives from the scope of CSR in developing countries. Whereas in developed countries rules and regulation on labour or environmental standards exist, are monitored and adhered to, in most developing countries there either are no such regulations or there are not monitored. Especially in the context of small and medium sized

Figure 2: Timeline of Projects



Source: own illustration

firms in weakly regulated development countries, CSR can therefore facilitate the attainability of compulsory norms and standards (Bodenbender et al, 2007). It is important to mention that even if the underlying ideas of CSR may be universal, it is crucial to understand the national profile of a given country. The profile should take into account the historical and cultural background of the country as well as the structure of the state, and the relationship of business and society. The concept of CSR will be successful if it is understood locally, and developed practically considering the long-established understanding of CSR. With the experience of the projects conducted and the lessons learned German Technical Cooperation is now equipped to offer developing countries advice and support on multiple levels and on three different dimensions

Support Structure of German Development Cooperation

When looking at the instrument used in projects three different dimensions where German development cooperation can contribute its expertise to advice and assist in CSR activities of intervention of become evident.

First, advice on systems, such as governmental incentives systems can be given. Second, advice on the build up of competencies and transfer of expertise is an area of engagement. Third, structures and processes can be supported. These dimensions run across the instruments and interventions areas and set the framework on how to implement CSR activities in a given country.

Advice on systems

As became clear from the country examples and the examples of German Technical Cooperation, a variety of policy instruments and methods can be used to encourage local companies to embark on a CSR strategy. Through giving advice and help adjusting CSR programs to national strategies, German Technical Cooperation can based on its knowledge and experience advice and support countries in its strategic approach and the right choice of measures. German Technical Cooperation is familiar with the concept of sustainable development and can therefore contribute to gear CSR towards the challenges that socially and economically sound development entails.

Capacity development

In many developing countries, there is still a need to build up capacities and knowledge in the area of CSR.

German Technical Cooperation can assist in the development of audit structures, the extension of business development services, the amplification of the work of business associations' services to include CSR, or the implementation of example projects in selected sectors. Capacity build up can e.g. be done by CSR training such as in Bangladesh where the GTZ is training labour inspectors. This increases local capacity concerning CSR and is a key qualification for monitoring standards implementation. Another example is the project of InWent in China on the build up of a trainer network to support companies' human resource development.³ Strengthening the dialogue between unions and employers is an approach taken by DED. The organisation intends to further strengthen its cooperation with labour and trade union (Deutscher Gewerkschafts Bund (DGB) North-South Network) in DGB partner countries and develop projects to strengthen the role of trade unions in these countries. In this context, cooperation between different developing countries is suggested to further the exchange of information and experiences.

Additionally, the incorporation of scientific and research institution will be valuable (Bodenbender et al, 2007:10).

Structures and Processes

Also in dialog processes, multi stakeholder processes, PPPs and strategic partnerships German Technical Cooperation can support developing countries. In the role of a neutral moderator, German Technical Cooperation can initiate and promote dialog. Further, it can contribute to an enhanced information flow by helping in the management of networks or setting up intermediary organisations. These support structures of German Development Cooperation are summarized in figure 3.

There is certainly no one-size-fits-all solution to guarantee the success of CSR projects. But with improving instruments and various new possibilities to further the CSR agenda German Technical Cooperation will in the next years increase its scope in CSR projects to help achieve sustainable development. Most important is to find the appropriate instruments for the specific context and to ensure that the chosen methods can root and evolve to affect a structural, sustainable change. Based on the insight into different countries CSR policy and performance, German development cooperation is in a position to assist public and private sector to navigate through the world of CSR identifying jointly the right mix of tools.

3 http://www.inwent.org/themen_reg/themen/nachhaltig/oe_pe/trainernetzwerk_china_peoe/index.de.shtml

Figure 3: Support Structure of German Development Cooperation



Source: own illustration



Instruction Manual for Analyzing CSR Public Policy

1. Starting Point: CSR Context

First of all: CSR is context-related and policy in this field should take the political, economic and societal background of the country into account. The CSR context dimensions give some guidance on what to look out for. By making a short analysis of each dimension illustrated below it is possible to identify strong fields of action and areas relevant for CSR development. At the end of the analysis it should be possible to define the areas on which CSR policy needs to concentrate most.

CSR Context Dimensions

Economy

Level of integration with the global economy

- Export/import quota
- Memberships, agreements

Development of economic system

- Percentage of economic sectors (incl. informal)
- GDP growth
- Type of economic policy
- Level of privatization

Politics

Level of integration at the international political level

- Memberships, agreements
- Influence of external stakeholders: ILO, donors, international NGOs

Government capacity

- Capacities to implement policies, communicate, monitor compliance, sanction
- Level of corruption
- Type of political system (authoritarian, participative)
- Stability of political system

Society

Social cohesion

- Equal opportunities for underprivileged groups (gender, cast, race, class)
- Rural-urban divides
- Social unrest or conflict

Capacity for change

- Willingness to reform
- Innovation on major societal issues/sectors
- Involvement of traditional actors, norms and values in change and dialogue

Cooperation

Exchange between societal actors

- Institutionalization of exchange and network forums
- Ability to negotiate conflict
- Shared solutions to societal challenges

Autonomy of societal actors

- Existence and participation of interest groups (NGOs, companies, etc.)
- Decision-making capacity of actors
- Lobbying capacity of actors

2. Suitcase and Travel Mates: CSR Content

What is state of the art in terms of CSR public policy? By investigating what is already happening and who the main public policy drivers are, the CSR public policy picture becomes clear. The CSR profile is now two dimensional. It might be useful to make a list of and investigate the following factors:

- CSR state actors: Which are the most important public bodies responsible for CSR?
- CSR nonstate actors: Who are the main nonstate actors active in the field of CSR?
- CSR public policy instruments by type:
 - Mandatory: Are there legal obligations related to CSR?
 - Soft law: For example, are there codes of conduct promoted by the government?
 - Partnering: For example, are there alliances between politics and business?
 - Incentivizing: For example, are there CSR awards granted by public bodies?
 - Awareness raising: For example, are there campaigns on CSR-related topics organized by the government?

3. Mapping the Journey: CSR Rationales

It might make sense to think about the key motives behind national CSR public policy. Taking the context and the current CSR content into account, what is CSR policy actually about? We recommend checking whether the current CSR rationale is in line with the weakest CSR context area. If not, this is a further argument for strengthening this weakest area.

Here are some rationales we have found quite frequently:

CSR Public Policy Rationales

- Enhance international competitiveness (economy)
- Promote local export-oriented business (economy)
- Achieve equitable and sustainable growth (economy)
- Respond to pressure from/influence of external actors (politics)
- Enhance international political influence and reputation (politics)
- Respond to pressure from/influence of external actors (politics)
- Address gaps in government capacity (politics)
- Address challenges in socioeconomic development (society)
- Build upon traditional values while establishing modern economy (society)
- Create cross-sectoral synergies to achieve policy goals (cooperation)

4. On Foot, By Boat or By High-Speed Plane? CSR Maturity Dimensions

4

Checklist: CSR Public Policy Maturity Dimensions

1. Competency

- a. Clearly defined and visible contact person/point for CSR within government
- b. Clear outline of duties and goals of this contact point/person
- c. Ability of contact point to address issue, formulate policy and implement subject of CSR

2. Level of strategy development

- a. Subject of CSR is addressed by government within other areas, e.g. sustainability strategy
- b. Subject of CSR is addressed in separate strategy by government
- c. CSR strategy consists of clearly defined policy goals and clearly named measures

3. Existence of coordination point

- a. CSR is treated as a cross-cutting subject and various ministries/government bodies deal with it
- b. Government bodies that address CSR are interlinked
- c. Government bodies that address CSR have active network, regular working meetings, common platform, etc.

4. Integration of stakeholders

- a. The importance of stakeholder integration is realized by government, e.g. stakeholders are named within strategy or policy documents
- b. Stakeholders have occasionally been heard on the subject of CSR
- c. Stakeholders are meeting on a regular basis and results are fed into policy

5. Activities

- a. Government has undertaken clearly visible activities, either through mandating, facilitating, endorsing or partnering in the field of CSR (a list of all current activities is necessary!)
- b. The list of activities is consistent with CSR context factors and rationale
- c. Implementation of these instruments seems to work

6. Communication and awareness

- a. Government is addressing the subject: either through website, brochures or other published documents (pull)
- b. Government is actively involving CSR actors by sending out material, organizing conferences, lectures or research support (push)
- c. Government has developed an explicit strategy for CSR communication

7. Evaluation

- a. CSR policy is or will be the subject of an occasional follow-up evaluation
- b. Evaluation is planned
- c. Evaluation with clearly defined goals is or has taken place, and results are integrated in strategy update
In order for an indicator to be valid, at least two of the seven dimensions should be fully accomplished

In order for a dimension to be valid, at least two of the three indicators should be fully accomplished

First generation: no specific CSR policies, no competency, instruments in place may be related to CSR. One to three dimensions are fulfilled.

Second generation: basic CSR policies in place, significant CSR activities with core CSR instruments and initial partnerships. Three to four dimensions are fulfilled.

Third generation: cutting-edge CSR policies, mature CSR practices and established partnerships. Six or more dimensions are fulfilled.

In order to make the profile truly three dimensional, it is necessary to identify the current state of CSR public policy management. Governments with long-standing experience in the field of CSR usually go beyond the mere implementation of core instruments. With the help of the CSR maturity dimensions it is possible to define the current generation of CSR public policy maturity.

5. Ready for Take Off: The CSR Navigator Toolbox

On the basis of CSR context and CSR content it is possible to define the key area of further development: Which actor or sector needs to be empowered by the political arena to successfully contribute to CSR? The analysis of CSR maturity helps to identify which type of policy instruments might be useful for further CSR development. Of course it is also helpful to look beyond the navigation profile, but the CSR Navigator Toolbox provides a focus and certain preselection criteria. For each instrument in the toolbox, we have noted the countries that employ it. This makes it easy to consult the country profile and find out more about the context this type of instrument is employed in.

Straight ahead for the toolbox ▶



Economy

1st Generation

2nd Generation

3rd Generation

Code for corporate governance (DE, EY)

CSR aspects in corporate governance legislation (VN, CN)

Standard on corporate governance structure (US)

Standard for corporate governance reporting incl. sustainability (ZA)

Training and awareness campaigns for corporate governance (EY, CN)

Legal personal responsibility of director for social and environmental aspects (GB, ZA)

Corporate governance assessment to benchmark against OECD standard (EY)

Information on ethical, environmental and social aspects for investors (DE)

Network of reporting companies implementing OECD Guidelines and Global Compact (Globalt Ansvar, SE)

Accountability for human rights violation (US)

Company Law requiring reporting on non-financial policies and impact (EY)

Competition for best CSR report and website (EY)

Best practice codes for listed companies (PL)

Mandatory reporting on environmental and/or social aspects (GB, SE, ZA, CN)

Sectoral codes of conduct (CN, IN)

Code of good practice for social integration (ZA)

Guidelines for CSR reporting (VN)

Inspection on labor compliance (VN)

Voluntary framework for export related companies/sectors (CN, VN)

Scorecards for measurements of integration of codes (ZA)

Information centre on occupational health and safety (VN)

Campaign, support for eco/fair trade products (FR, DE, GB, ZA)

Labeling for environmental or food safety aspects (IN, CN)

Awareness on guidelines for ethical marketing (SE)

Financial fund for fair trade development (FR)

Awards for CSR related aspects (BR, CN, US, IN, VN, FR, EY)

CSR award (GB)

Financial/organizational contribution for Global Compact national forum (FR, DE, GB, SE, EY, MZ)

Support for issue specific corporate network (f.i. BLIHR, GB)

Blacklists naming non responsible companies (CN)

CSR company ranking together with business initiative (GB)

Capacity building and advisory service for int. standards (EY)

Subsidies for SMEs applying ISO (IN)

Translation of ISO standards (EY)

CSR implementation Guide for SMEs (GB, SE)

Standard and guideline for self-assessment of CSR activities (GB)



Politics

1st Generation

2nd Generation

3rd Generation

Legislation on labour issues, environmental protection, human rights, consumer protection... (DE, GB, FR, PL, SE, CN, EY, ZA, VN, IN, US, BR, MZ)

OECD Guidelines contact point (FR, DE, BR, US)

Voluntary inclusion of CSR into public procurement (FR, GB)

Trisectoral working group on OECD-Guidelines - handling complaints (DE)

OECD contact point with tripartite members and reporting (SE)

Public procurement according to environmental aspects (GB)

Public procurement according to social aspects (ZA)

Public procurement clearing house (community level, GB)

OECD contact point with evaluation steering point and cross cutting ministries (UK)

Distribution of OECD Guidelines among companies and embassies in developing countries (SE)

Promotion of OECD Guidelines through export credits board (SE)

OECD Guidelines acknowledgement for export credits (FR)

Export credits linked with compliance on public sector CSR criteria (US, DE)

Promotion of international standards like ISO, EMAS SA, GRI (DE, ZA, EY, VN)

Endorsing of GRI Guidelines and ISO standardisation (SE)

Adoption of GRI Guidelines by public bodies (ZA)

Ratification and implementation of international laws and conventions f.i. ILO (DE, GB, FR, PL, SE, CN, EY, ZA, VN, IN, US, BR, MZ)

Environmental Impact Assessment for plant openings EIA (IN)

Policy dialogues with int. organisations (CN)

High level events on int. standards (SE)

National council on sustainable development (FR, DE)

Governmental CSR working group (PL)

Minister for CSR (GB)

Publications/Media-reports/Webpages (DE, CN)

Government information portal on CSR (GB)

National Strategy on CSR/Sustainable Development (GB, SE)

Type of Government Activity

- Mandatory
- Soft law
- Partnering
- Incentives
- Awareness

Field of impact:

- Corporate Governance
- Reporting
- Labels/Fair Trade
- Disclosure
- Awards
- International Standards
- Corporate Networks
- Implementation/Assessment support
- Codes
- Public Procurement
- Workshops/Conferences
- Information
- Institutionalising
- Local Level promotion
- Pensions
- PPP
- Research/Education
- Monetary support



Society

1st Generation

Mandatory reporting of pension managers on voting at general meetings (US)

Initiative for stimulating civil society activities (Mocambique in Accao, MZ)

Tax exemptions for companies employing socially deprived groups (VN)

Tax incentives for social contributions/activities (DE, PL, BR, IN, CN, EY, MZ)

2nd Generation

Standards for voluntary pension and health programs in corporations (US)

Solidarity community programme to motivate private sector involvement (BR under former government)

Whistle Blowers Protection (ZA)

Research support, CSR in business curricula (CN, IN)

Credits for companies social investment programmes (BR)

3rd Generation

Disclosure of CSR aspects in pension funds by mandatory reporting (FR, GB, SE)

Government pension fund according to UN principles for SRI (ZA)

Stakeholder consultation on environmental licencing/impact of industrial development (BR, IN, VN)

Freedom of Information Act extended to private sector (ZA)

Family and Work Audit for family friendly conditions (DE)



Cooperation

1st Generation

Mandatory cooperation between local NGOs and local government (PL)

Roundtable sessions with various stakeholders (VN, CN)

Financial support for multi-stakeholder partnerships (GB)

2nd Generation

PPP for specific issues (environment, social...) (DE, SE, IN, US, EY, MZ)

Law on formation, scope and responsibility of PPPs (PL)

Participation in int. standard development (ISO for CSR, FR)

Multi-stakeholder dialogues on various issues (SE, FR, DE, VN, IN, CN)

3rd Generation

PPP for local promotion of norms and guidelines (FR)

PPP for ranking corporate environmental performance (ZA, CN)

Trainings on codes and labour issues, jointly with NGOs (VN)

Body/commission to motivate PPPs (GB, SE)

PPP specific for CSR promotion (BITC, GB)

Programme for mediators for inter-sectoral cooperation at local level (GB)

Tri-sectoral council for Public Benefit Activity, monitoring/mediating (PL)

Issue specific working groups f.i. on corruption or inclusion (ZA, IN)

Tri-partite task force for policy development f.i. procurement (GB)

Public Policy Instruments for CSR or Fields Close to CSR By Type of Government Activity and Field of Impact

■ Mandatory

■ Reporting

Company Law requiring reporting on non-financial policies and impacts (EY)

Information on ethical, environmental and social aspects for investors (DE)

Reporting Requirement for social and/or environmental aspects (GB, SE, F, ZA, CN)

■ Corporate Governance

Legal personal responsibility of Director for social and environmental aspects of business (GB, ZA)

CSR aspects in corporate governance legislation (VN, CN)

Accountability for Human Rights violation (US)

Standards on corporate governance structures (audits-independence and financial disclosure)
Sarbanes-Oxley Act (US)

■ Pension Funds/SRI

Standards for voluntary pension and health programs in corporations (US)

Mandatory reporting of pension managers on voting at general meetings (US)

Employers saving funds connected to social and environmental aspects (FR)

Governmental Pension Fund according to UN principles of SRI (ZA)

Disclosure of CSR aspects in Pension Funds by mandatory reporting (FR) (GB) (SE)

■ Stakeholder Inclusion/Workshops

Environmental Impact Assessment before building new plants (IN)

Stakeholder consultations on industrial development (IN, BR, VN)

■ Public Private Partnerships

Law on formation and responsibility of Public Privat Partnerships (PL)

■ Local Level Promotion

Mandatory cooperation between local NGOs and local government (PL)

■ Disclosure

Freedom of Information Act extended to Private Sector (ZA)

Whistle blowers protection (ZA)

■ Public Procurement

Public Procurement according to social aspects (ZA)

Public Procurement according to environmental aspects f.i. wood (GB)

Public Procurement Clearing House (GB)

■ Soft Law

■ Corporate Governance

Standard for corporate governance reporting including sustainability issues (ZA)

Corporate governance assessment to benchmark against OECD standards (EY)

Standard on corporate governance structure (US)

Corporate Governance Codex (DE, EY)

■ Public Procurement

Voluntary inclusion of CSR in Public Procurement (F, GB)

■ Int. Standards

OECD Guidelines Contact Point (FR, DE, BR, US)
Trisectoral workinggroup on OECD-Guidelines handling complaints (DE)

Promotion of ISO Standards (DE, ZA, EY, VN)

OECD Contact Point with tripartite members, annual reporting (SE)

OECD Contact Point with evaluation, steering point and cross cutting ministries (UK)

Participation in int. standard development (FR)

■ Monetary support

OECD Guidelines acknowledgement for export credits (FR)

■ Reporting

Adoption of GRI guidelines by public bodies (ZA)

Endorsing of GRI guidelines and ISO standardization (SE)

Guidelines for CSR reporting (VN)

■ Codes and Guidelines

Best Practice Code for Public (listed) Companies (PL)

Sectoral codes of conduct (CN, IN)

Codes of good practice for social integration (ZA)

Voluntary framework for export related sector (CSC9000T) (CN)

Scorecards for measurement of integration of code for various sectors (ZA)

Voluntary frameworks for export related industries (VN, CN)

■ Partnering

■ Corporate Networks

Financial/organisational support of Global Compact national forum (FR, DE, GB, SE, EY, MZ)
Support for issue specific corporate network (f.i. BLIHR, GB)

■ Reporting

Network of reporting companies implementing OECD Guidelines and Global Compact (Globalt Ansvar, SE)

■ Institutionalising

National council on sustainable development (FR, DE)

Governmental working group on CSR (PL)

■ Stakeholder/Workshops

"Solidarity Community" program to increase the participation of the private sector in the provision of social services (discontinued) (BR)

Tri-Sectoral Council of Public Benefit Activity (PL)

Issue specific working groups (inclusion or corruption) (ZA, IN)

Financial support for multi-stakeholder partnerships, e.g. ETI, EITI (GB)

Multi stakeholder dialogues on various issues (FR, SE, DE, VN, IN, CN)

Tri-partite task force for policy development f.i. procurement (GB)

■ PPP

PPP for specific issues (environment, social...) (DE, SE, IN, US, EY, MZ)

PPP for local promotion of norms and guidelines (FR)

PPP for ranking corporate environmental performance (ZA)

Body/commission to motivate PPPs (GB, SE)

PPP specific for CSR promotion (BITC, GB)

■ Local level promotion

Programmes for mediators for inter-sectoral cooperation at local level (GB)

■ Incentives

■ Reporting

Competition for best CSR report and website (EY)

■ Disclosure

Blacklists naming non responsible companies (CN)

CSR company ranking together with business initiative (GB)

■ Awards

Awards for CSR related aspects (BR, CN, US, IN, VN, FR, EY)

CSR Award (GB)

■ International Standards

Subsidies for SMEs applying ISO (IN)

Distribution of OECD Guidelines among companies and embassies in developing countries (SE)

Promotion of OECD Guidelines through export credits board (SE)

Export credits linked with compliance on public sector CSR criteria (US, DE)

■ Monetary support

Tax exemptions for social contributions/activities (DE, PL, BR, IN, CN, EY, MZ)

Tax exemptions for companies employing socially deprived groups (VN)

Credits for companies social investment programmes (BR)

■ Implementation

Family and Work Audit for family friendly working conditions (DE)

■ Labels/Fair Trade

Financial fund for fair trade development (FR)

■ Awareness

■ Corporate Governance

Training and awareness campaigns for corporate governance (EY, CN)

■ Information

Information Centre on Occupational Health and Safety (VN)

Government Information portal on CSR (GB)

Publications/Mediareports/Webpages (DE, CN)

■ Labels and Certificates

Campaign, support for eco/fair trade products (FR, DE, GB, ZA)

Labels for environmental and food-safety aspects (CN, IN)

Awareness on guidelines for ethical marketing (SE)

■ International standards

Translation of ISO standards (EY)

Capacity building and advisory service for int. standard (EY)

■ Implementation

CSR implementation guide for SMEs (GB, SE)

Standard and guideline for self-assessment of CSR activities (GB)

■ Stakeholder/Workshops

Policy dialogues with int. organisations (CN)

High level events on int. standards (SE)

Initiative for stimulating civil society activities (MZ)

Roundtable sessions with various stakeholders (VN, CN)

■ Institutionalising

Minister for CSR (GB)

■ Monetary support

Research support , CSR in business curricula (CN, IN)

■ Codes

Training on codes and labour issues, jointly with NGOs (VN)

Glossary

Agenda 21

Agenda 21 is a comprehensive plan of action to be taken globally, nationally and locally by United Nations organizations, governments and major groups in those areas in which humans are having an impact on the environment. Agenda 21, the Rio Declaration on Environment and Development and the Statement of Principles for the Sustainable Management of Forests were adopted by more than 178 governments at the United Nations Conference on Environment and Development (UNCED) held in Rio de Janeiro, Brazil, from June 3 to 14, 1992. The full implementation of Agenda 21 and the commitments to the Rio principles were strongly reaffirmed at the World Summit on Sustainable Development (WSSD) held in Johannesburg, South Africa, from August 26 to September 4, 2002.

Source: UN Department of Economic and Social Affairs, Department of Sustainable Development <http://www.un.org/esa/sustdev/documents/agenda21/index.htm>

Codes of Conduct (CoC)

A code of conduct is a statement and description of required behaviors, responsibilities and actions expected of employees of an organization or of members of a professional body. A code of conduct usually focuses on ethical and socially responsible issues and applies to individuals, providing guidance on how to act in cases of doubt or confusion. Corporate codes of conduct are completely voluntary. Also, their implementation depends totally on the company concerned.

Source: <http://dictionary.bnet.com/definition/code+of+conduct.html>

Corporate Citizenship (CC)

Corporate citizenship is about the contribution a company makes to society through its core business activities, its social investment and its philanthropy programs, as well as its engagement in public policy.

Source: World Economic Forum <http://www3.weforum.org/en/initiatives/corporatecitizenship/index.html>

Corporate Governance (CG)

Corporate governance is traditionally defined as the ways in which a firm safeguards the interests of its financiers (investors, lenders, and creditors). The modern definition calls it the framework of rules and practices by which a board of directors ensures accountability, fairness and transparency in the firm's relationship

with its stakeholders (financiers, customers, management, employees, government and the community).

Source: <http://www.businessdictionary.com/definition/corporate-governance.html>

Corporate Philanthropy (CP)

Corporate philanthropy (or corporate giving) is the act of corporations donating some of their profits or resources to nonprofit organizations. Corporate giving is often handled by the corporation directly, or it may be done through a company foundation. Corporations most commonly donate cash, but they also donate the use of their facilities, property, services or advertising support. They may also set up employee volunteer groups that then donate their time.

Source: <http://nonprofit.about.com/od/glossary/gl/corpgiving.htm>

Corporate Social Investment (CSI)

Corporate social investment encompasses projects that are external to the normal business activities of a company and not for purposes of increasing company profit. These projects aim to uplift communities and are not primarily driven as marketing initiatives. They have a strong developmental approach and utilize company resources to benefit the communities.

Source: CSI Solutions <http://www.csisolutions.co.za/WhatsCSI.HTM>

DAX 30

The Dax 30 index comprises 30 leading companies listed in Germany, selected according to market capitalization and turnover. The index is published by the Frankfurt Stock Exchange.

Source: <http://www.computerwire.com/companies/lists/list/?listID=F46D95ED-8C4F-40FC-998A-7CEB279DB836>

Dow Jones Sustainability Indexes (DJSI)

Launched in 1999, the Dow Jones Sustainability Indexes are the first global indexes tracking the financial performance of the leading sustainability-driven companies worldwide. A cooperative undertaking of Dow Jones Indexes, STOXX Limited and SAM, they provide asset managers with reliable and objective benchmarks to manage sustainability portfolios.

Currently 60 DJSI licenses are held by asset managers in 15 countries to manage a variety of financial products, including active and passive funds, certificates and

segregated accounts. In total, these licensees presently manage over \$5 billion based on the DJSI.

Source: <http://www.sustainability-indexes.com/>

Eco-Management and Audit Scheme (EMAS)

The Eco-Management and Audit Scheme (EMAS) is the EU voluntary instrument which acknowledges organizations that improve their environmental performance on a continuous basis. EMAS-registered organizations are legally compliant, run an environment management system and report on their environmental performance through the publication of an independently verified environmental statement. They are recognized by the EMAS logo, which guarantees the reliability of the information provided.

Source: EU Commission http://ec.europa.eu/environment/emas/index_en.htm

Environmental Impact Assessment (EIA)

Environmental Impact Assessment (EIA) is used to identify the environmental and social impacts of a project prior to decision-making. It aims to predict environmental impacts at an early stage in project planning and design, find ways to reduce adverse impacts, shape projects to suit the local environment and present the predictions and options to decision makers. By using EIA, both environmental and economic benefits can be achieved, such as reductions in the cost and time of project implementation and design as well as reduced treatment/clean-up costs and impacts of laws and regulations.

Source: United Nations Environment Programme <http://www.unep.fr/pc/pctools/eia.htm>

FTSE4Good Index Series

The FTSE4Good Index Series has been designed to measure the performance of companies that meet globally recognized corporate responsibility standards, and to facilitate investment in those companies. Transparent management and criteria alongside the FTSE brand make FTSE4Good the index of choice for the creation of socially responsible investment products.

Source: FTSE Group http://www.ftse.com/Indices/FTSE4Good_Index_Series/index.jsp

Global Compact (GC)

The Global Compact, announced in 2004 by former UN Secretary Kofi Annan, is a framework for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labor, the environment and anti-corruption. As the world's largest global corporate citizenship initiative, the Global Compact is first and foremost concerned with exhibiting and building the social legitimacy of business and markets. The Global Compact is a purely voluntary initiative with two objectives: mainstreaming the 10 principles in business activities around the world and catalyzing actions in support of UN goals. To achieve these objectives, the Global Compact offers facilitation and engagement through several mechanisms: policy dialogues, learning, country/regional networks and partnership projects. The GC involves all relevant social actors: governments, which defined the principles on which the initiative is based; companies, whose actions it seeks to influence; labor, in whose hands the concrete process of global production takes place; civil society organizations, representing the wider community of stakeholders; and the United Nations.

Source: United Nations Global Compact <http://www.unglobalcompact.org/AboutTheGC/index.html>

Global Reporting Initiative (GRI)

The Global Reporting Initiative provides guidance for organizations to use as the basis for disclosure about their sustainability performance, and also provides stakeholders a universally applicable, comparable framework in which to understand disclosed information. The Reporting Framework facilitates transparency and accountability by organizations – companies, public agencies and nonprofits – of all sizes and sectors, across the world. GRI is a worldwide, multistakeholder network. Business, civil society, labor, investors, accountants and others all collaborate through consensus-seeking approaches to create and continuously improve the Reporting Framework.

Source: Global Reporting Initiative <http://www.globalreporting.org/AboutGRI/>

International Standard Organization (ISO)

The International Standard Organization, established in 1947, is a nongovernment federation of national standards bodies from around 150 different countries. ISO has developed over 16,500 international standards on a variety of subjects, with 1,250 new ISO standards published every year. ISO has decided to launch the development of an international standard providing guidelines for social responsibility (SR). The guidance standard will be published in 2009 as ISO 26000, and compliance will be voluntary. It will not include requirements and will thus not be a certification standard.

Source: International Organization of Standardization http://www.iso.org/iso/iso_catalogue.htm and <http://www.standardsglossary.com/>

Lisbon Strategy

During the meeting of the European Council in Lisbon (March 2000), the attending heads of state and government launched the Lisbon Strategy, aimed at making the European Union the most competitive economy in the world and achieving full employment by 2010. This strategy, developed at subsequent meetings of the European Council, rests on three pillars: an economic pillar, which prepares for the transition to a competitive, dynamic, knowledge-based economy, and which emphasizes the need to adapt constantly to changes in the information society and to boost research and development; a social pillar, which is designed to modernize the European social model by investing in human resources and combating social exclusion, and which expects the EU member states to invest in education and training and to conduct an active policy for employment, making it easier to move to a knowledge economy; and an environmental pillar, added at the Göteborg European Council meeting in June 2001, which draws attention to the fact that economic growth must be decoupled from the use of natural resources.

Source: Europa Glossary http://europa.eu/scadplus/glossary/lisbon_strategy_en.htm

Millennium Development Goals (MDGs)

The Millennium Development Goals represent a global partnership that has grown from the commitments and targets established at the world summits of the 1990s. The eight MDGs - which range from halving extreme poverty to halting the spread of HIV/AIDS and providing universal primary education, all by the target date of 2015 - form a blueprint agreed to by all the

world's countries and all the world's leading development institutions.

Source: United Nations <http://www.un.org/millennium-goals/>

New Social Movements (NSM)

New Social Movements describe a diverse set of popular movements characterized by a departure from conventional methods of political organization and expression, and experimentation with new forms of social relations and cultural meanings and identities. In advanced capitalist societies, the "movements" have mobilized around feminist, ecological, peace, and antinuclear issues. In Africa, Asia, and Latin America their range has been wider, including Catholic base communities, neighborhood and squatter associations, women's and human rights groups, peasant cooperatives, and environmental activists. New social movements aspire to a broadening of "the political," popular empowerment, and the reappropriation of civil society, away from the control of the state.

Source: Geraldine Lievesley, Political Dictionary definition of new social movements

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<http://www.answers.com/topic/new-social-movements>

OECD Guidelines for Multinational Enterprises

The OECD guidelines are recommendations addressed by governments to multinational enterprises operating in or from adhering countries. 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, combating bribery, consumer interests, science and technology, competition, and taxation. Adhering governments have committed to promote them among multinational enterprises operating in or from their territories.

Source: OECD http://www.oecd.org/department/0,3355,en_2649_34889_1_1_1_1_1,00.html and <http://www.oecd.org/dataoecd/56/36/1922428.pdf>

OSHAS 18001

OHSAS 18001 is an international Occupation Health and Safety Assessment Series for health and safety management systems. It is intended to help an organization

control occupational health and safety risks. It was developed in response to widespread demand for a recognized standard against which certification and assessment can take place.

Source: <http://www.ohsas-18001-occupational-health-and-safety.com/what.htm>

Public Private Partnership (PPP)

PPP is a different method of procuring public services and infrastructure by combining the public and private sectors with an emphasis on value for money and delivering quality public services.

Source: <http://www.ppp.gov.ie/>

Rio Declaration on Environment and Development

The Rio Declaration on Environment and Development was adopted at the Rio Conference, the UN Conference on Environment and Development in 1992, and is a set of 27 Principles on sustainable development.

Source: *United Nations Environment Programme*
<http://www.unep.org/DEC/OnLineManual/Resources/Glossary/tabid/69/Default.aspx?letter=R>

Social Accountability International (SAI)

SAI is an international nonprofit human rights organization dedicated to the ethical treatment of workers around the world. SAI's social standard, called SA8000, is an auditable certification standard based on international workplace norms of International Labour Organisation (ILO) conventions, the Universal Declaration of Human Rights and the UN Convention on the Rights of the Child. It functions as a highly effective and expedient system for delivering improved social performance to businesses and their supply chain facilities.

Source: <http://www.sa-intl.org/index.cfm?fuseaction=Page.viewPage&pageId=487&parentID=472&nodeID=1> and <http://www.sa-intl.org/index.cfm?fuseaction=Page.viewPage&pageId=473>

Special Economic Zones (SEZs)

A special economic zone is a geographical region that has economic laws that are more liberal than a country's typical economic laws. The category SEZ covers a broad range of more specific zone types, including free trade zones (FTZ), export processing zones (EPZ), free zones (FZ), industrial estates (IE), free ports, urban enterprise zones and others. The goal of an SEZ structure is usually to increase foreign investment.

Source:
http://en.wikipedia.org/wiki/Special_Economic_Zone

Socially Responsible Investment (SRI)

Socially responsible investing is a broad-based approach to investing that recognizes that corporate responsibility and societal concerns are valid parts of investment decisions. SRI considers both the investor's financial needs and an investment's impact on society. SRI investors encourage corporations to improve their practices on environmental, social and governance issues. Socially responsible investors include individuals and institutions, such as corporations, universities, hospitals, foundations, insurance companies, public and private pension funds, nonprofit organizations and religious bodies.

Institutional investors represent the largest and fastest-growing segment of the SRI world. SRI now encompasses an estimated \$2.3 trillion out of the \$24 trillion that makes up the US investment marketplace today.

Source: <http://www.socialinvest.org/resources/sriguide/srifacts.cfm>

Stakeholder

Stakeholder is a party with an interest in an organization, e.g. employees, customers, suppliers or the local community. Each party's interest stems from the effect that the organization's activities will have on it, although each is also a "third party," in that it is located outside of the organization.

Source:
<http://www.lse.co.uk/financeglossary.asp?searchTerm=stakeholder&iArticleID=927&definition=stakeholder>



List of Abbreviations

AFTA	Asean Free Trade Area
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
ASEM	Asia-Europe Meeting
BTI	Bertelsmann Transformation Index
CIA	Central Intelligence Agency
CR	Corporate Responsibility
EC	European Commission
EU	European Union
FAO	Food and Agricultural Organisation
FBI	Federal Bureau of Investigation
FDI	Foreign Direct Investment
FII	Foreign Institutional Investors
GDP	Gross Domestic Product
ILO	International Labour Organisation
IMF	International Monetary Fund
MDGs	Millenium Development Goals
Mercosur	Mercado Común del Sur (common market of the south)
MNCs	Multinational Corporations
NATO	North Atlantic Treaty Organisation
NCP	National Contact Point
NGO	Non Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
OHS	Occupational Health and Safety
PRC	People's Republic of China
SAARC	South Asian Association for Regional Cooperation
SMEs	Small and Medium Sized Enterprises
TNCs	Transnational Corporations
UK	United Kingdom
UN	United Nations
UNCED	United Nations Conference on Environment and Development
UNCTAD	United Nations Conference on Trade and Development
UNDOF	United Nations Disengagement Observer Force
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization

UNHCR	United Nations High Commissioner for Refugees
UNIDO	United Nations Industrial Development Organization
US	United States
WB	World Bank
WHO	World Health Organisation
WIPO	World Intellectual Property Organization
WTO	World Trade Organisation



Biographies

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K. Balakrishnan holds an MBA from IIM Ahmedabad and has 22 years of business experience across varied functions and sectors. A former CEO, he has dealt with MNCs such as Siemens, Westinghouse and IKEA as vendor, customer and strategic partner. Since 2000 he has taught Strategic Management, CSR and Product Management at SDM-IMD, an Indian business school. He also consults for industry and serves on the boards of companies as an independent director. His CSR work centers mainly on business strategies and integration.

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Marcos Kisil is the current President of IDIS, Institute for the Development of Social Investment, a nonprofit organization based in São Paulo, Brazil. IDIS promotes concepts and best practices for private social investment and fosters community philanthropy initiatives in Latin America. He is also professor at the University of São Paulo, Synergos senior fellow and INSP fellow at the Bertelsmann Stiftung, as well as former regional director at the US-based W. K. Kellogg Foundation. Kisil currently serves as a board member in several citizen organizations. He has written articles and books about CSR and corporate philanthropy and is a regular speaker at conferences and seminars. He holds a medical degree from the University of São Paulo and a doctorate in Public Administration from George Washington University.

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Her main research interests are Indian political theory as well as politics and policies of South and East Asia. She is also a freelance consultant in the areas of corporate social responsibility and ethical enterprise.

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