

The CSR Navigator

Public Policies in Africa, the Americas,
Asia and Europe



List of Abbreviations

EMAS	Eco-Management and Audit Scheme
EU	European Union
GDP	Gross Domestic Product
GRI	Global Reporting Initiative
ILO	International Labour Organisation
ISO	International Standard Organisation
MNCs	Multinational Corporations
NATO	North Atlantic Treaty Organisation
NGO	Non Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
PPP	Public Private Partnership
SA	Standard for Social Accountability
SMEs	Small and Medium-sized Enterprises
SRI	Socially Responsible Investment
TNCs	Transnational Corporations
UN	United Nations

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.

Liz Mohn

Vice President of the Executive Committee of the Board and of the Board of Trustees of the Bertelsmann Stiftung; Chairman of the Board of the Bertelsmann Verwaltungsgesellschaft mbH and Member of the Supervisory Board of the Bertelsmann AG



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.

Dr. Bernd Eisenblätter

*Managing Director
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH*

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

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*.

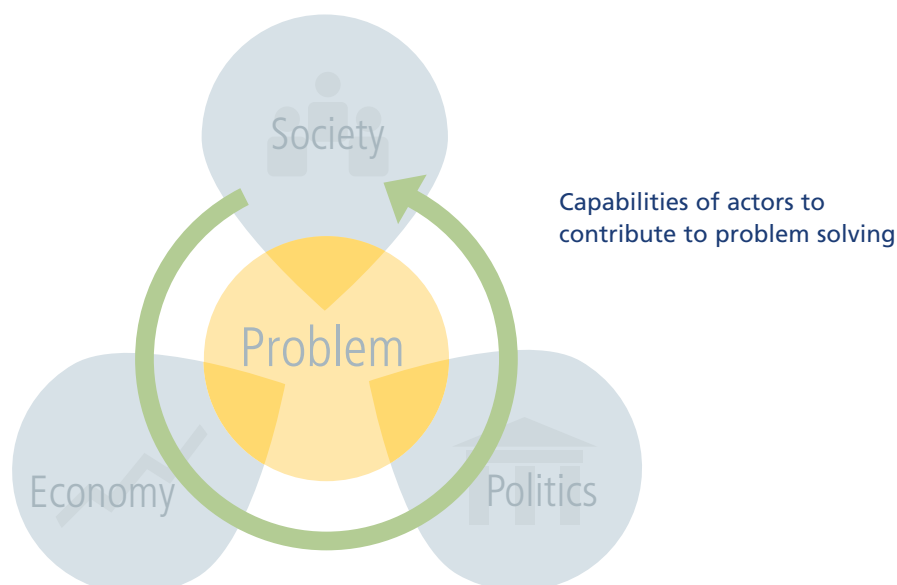
From Practice to Profile

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.

2. 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

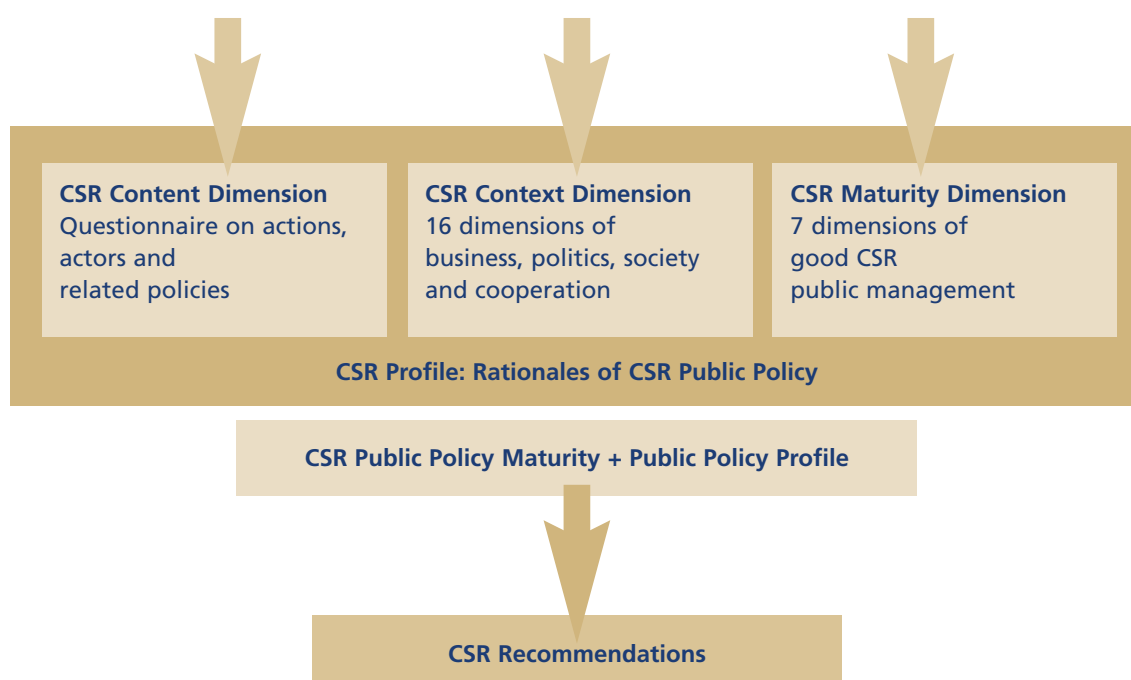
3. CSR Maturity Dimension: The third facet of this study sheds light on the management capabilities of country's government with regard to CSR policymaking and policy implementation. It is possible to discern the presence of numerous actors and activities without being able to make claims about good 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 Toolbox comes into play (see page 44). 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	
CSR policy focus on politics 			Sweden
CSR policy focus on cooperation 	Egypt Poland	USA China South Africa Germany France	

Way Ahead

The CSR Navigator Toolbox gives a first overview of major public policy instruments in place (see page 44). 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

Brazil*

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



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 Inácio “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 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

* This country profile was prepared with the assistance of Dr. Marcos Kisil, Institute for the Development of Social Investment (IDIS), University of São Paulo

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.

Further Reading:

- Cappellin, Paola and Giuliani, Gian Mario (2004): **The political economy of corporate responsibility in Brazil. Social and environmental dimensions. Technology, Business and Society Programme Paper Number 14, United Nations Research Institute for Social Development.** Available: <http://mail.kein.org/pipermail/incom-l/2005-January/000229.html>
- Oliveira de, Jose Antonio Puppim (2006): **Corporate citizenship in Latin America. New challenges for business.** In: *Journal of Corporate Citizenship*, 21, 17-20.



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



China*

14

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



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

* This country report was prepared with the assistance of Dr. Guo Peiyuan, SynTao Co. Ltd., Peking

CSR policymaking in China is lead 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.

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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



Egypt*

16

Public Policy Rationales

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

Public Policy Activities

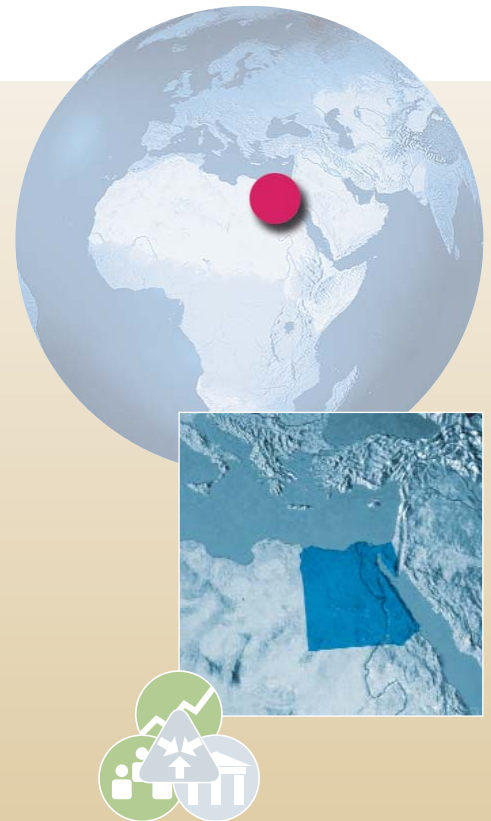
- Soft law: Endorsing OECD guidelines and ISO standards, implementation of corporate governance codes for state/nonstate companies
- Partnering: Numerous PPPs in the field of community development
- Awareness raising: Capacity building and communication on international standards

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



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.

* This country report was prepared with the assistance of Ali Mokhtar and Passinte Isaak of the Center for Development Services, Cairo

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 institutionalizing 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.

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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



France

18

Public Policy Rationales

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





Public Policy Actors

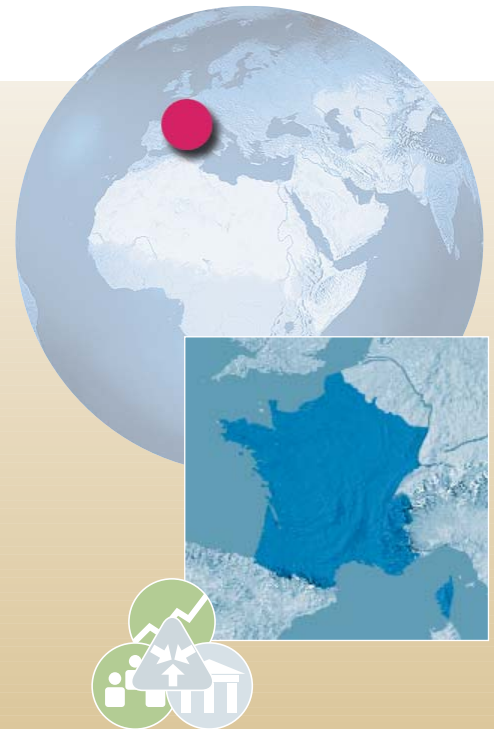
- Ministry of Foreign Affairs
- Ministry of Ecology and Sustainable Development

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

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



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.

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 stan-

dards. 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 applications 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.

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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



Germany

20

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



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 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 Germany'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.

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CSR Public Policy Maturity Levels

Second generation:

- CSR public policy is in the process of development, low level of co-ordination
- 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



India*

22

Public Policy Rationales

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

Public Policy Actors

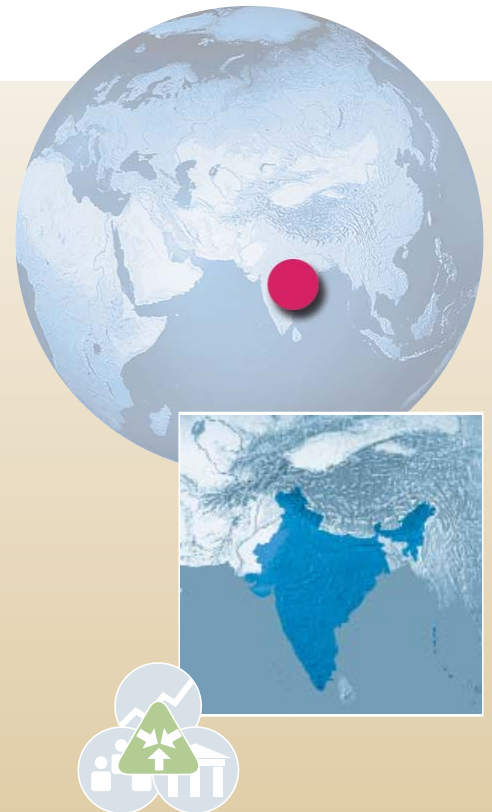
- Mandating: Corporate governance laws and consumer protection; labor laws; CSR-reporting; environmental standards
- Awareness raising: encouraging labeling programs; endorsing ISO 14000 / 9000; some funding for teaching
- Partnering: Coordination Committee to promote Affirmative Action in the Indian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



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, eco-

nomic 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.

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

* This country profile was prepared with the assistance of Dr. K. Balakrishnan, SDM Institute for Management Development, India

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.

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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



Mozambique*

24

Public Policy Rationales

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

Public Policy Activities

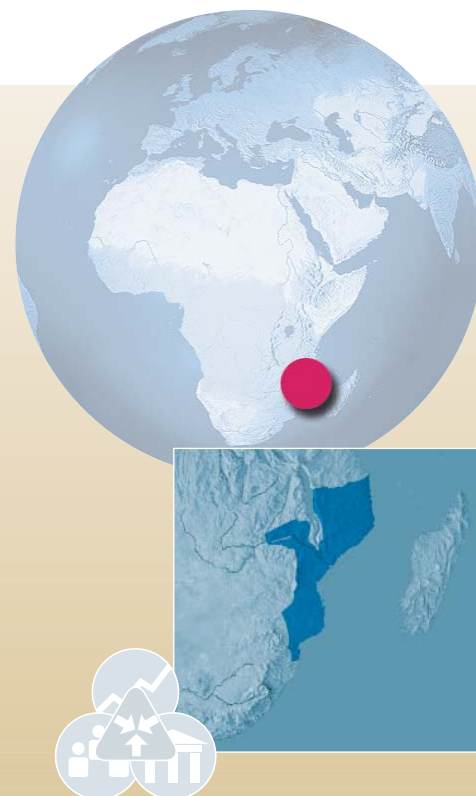
- Partnering : Public-private partnerships (PPPs) at state and local level
- Incentives: Tax exemptions for companies donating money to social and cultural causes

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



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 concept 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

* This profile 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.

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.

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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



Poland*

26

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



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.

* This country profile was prepared with the assistance of Dr. Boleslaw Rok, Business Ethics Centre LKAEM, Poland

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.

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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



South Africa*

28

Public Policy Rationales

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





Public Policy Activities

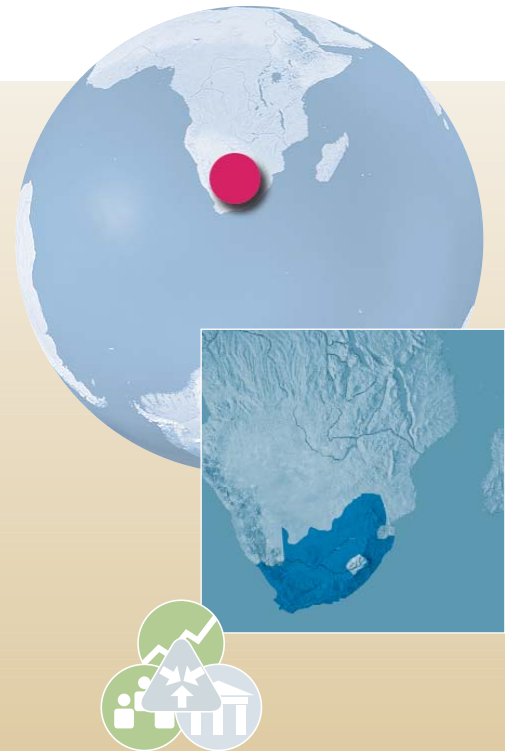
- Mandating: National Black Economic Empowerment Act; other CSR-related laws
- Partnering: Some CSI and issue-specific partnerships
- Soft law: Setting standards at the sectoral level
- Incentives: Public procurement

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



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 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

* This country profile was prepared with the assistance of Dr. Ralph Hamann, University of Capetown, South Africa

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.

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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



Sweden

30

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



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 disinclined 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.

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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



United Kingdom

32

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



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 democratic 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 behavior of private actors. There are a number of instruments that are deployed in order to implement CSR, such as laws regarding reporting duties, (multistake-

holder) 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.

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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



United States of America*

34

Public Policy Rationales

- Enhance international competitiveness
- Address gaps in government capacity

Public Policy Activities

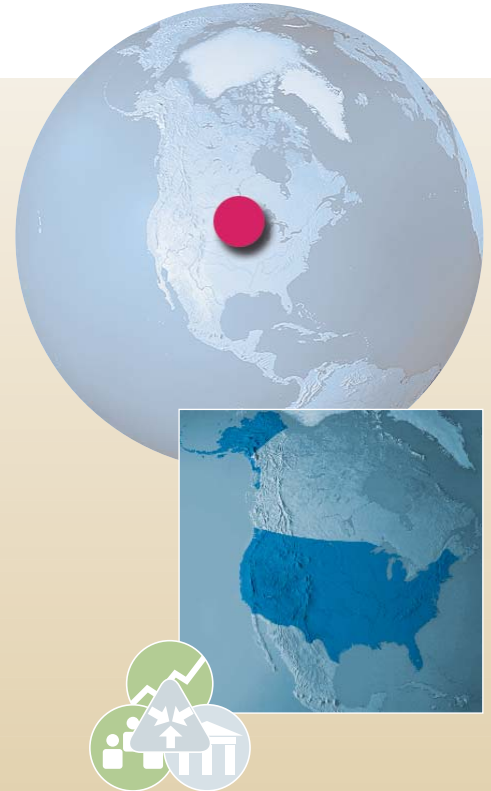
- Mandating: No specific CSR laws; mandatory reporting on selected issues
- Partnering: Partnerships at the federal level; public-private partnerships (PPP) at state and local level, mostly concerning environmental issues
- Setting incentives: Tax incentives; award programs; including CSR in financial 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



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 midsize 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, 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

* This country profile was prepared with the assistance of Dr. Dale Murphy, Georgetown University, USA

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 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.

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.

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Navigating CSR

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



Vietnam*

36

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



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 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

* This country profile was prepared with the assistance of Dr. Nguyen Quang Vinh and Vu Thi Thu Hang, Vietnam Chamber of Commerce and Industry, Vietnam

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).

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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 Experiences from the work of the German Technical Cooperation

CSR is closely connected to the principles and objectives of German development cooperation (GDC), such as reducing poverty, building peace, promoting equitable forms of globalization and protecting the environment. German development cooperation, in particular those efforts carried out through the Deutsche Gesellschaft für Technische Zusammenarbeit GmbH (GTZ), Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG), Internationale Weiterbildung und Entwicklung GmbH (InWEnt) and the German Development Service (DED) has conducted numerous CSR projects and acquired significant experience in developing and implementing CSR activities.

In terms of CSR, the history of German development cooperation can be divided into three stages. It began with small and rather isolated projects in the field of private sector development and trade promotion, for example, or projects targeting individual companies and specific products, such as labeling initiatives like Rugmark, Fairtrade or organic farming projects. Intervention tools were derived from the export-promotion framework. During the second stage, German development cooperation worked with several companies from an individual sector, such as the textile, coffee or forestry industry, with the aim of increasing impact. This was done by cooperating with private sector associations and employing roundtables, multistakeholder dialogues and processes, and public-private partnership (PPP) projects.

Answering to the demand of many developing countries to establish CSR-promoting policies and strategies, German development cooperation at present uses a multilevel approach that includes policymaking initiatives in addition to partnerships with companies and intermediary organizations. Because each country has a specific mix of business, government and social actors, the challenge is to devise an appropriate CSR strategy that can be used simultaneously on the national and international levels. One example of this is a CSR project in China that aims at enhancing international competitiveness by building up dialogue structures and CSR capacity as well as CSR implementation systems at national and local levels. Activity areas include the development of a CSR dialogue platform, a CSR information and research network and international exchange.

Through the years, German development cooperation has developed a number of instruments to support actors on different levels (see Figure 1). The most important lessons on how to implement CSR, learnt during the projects implemented to date, are:

- **CSR activities are most effective when development cooperation simultaneously addresses all relevant intervention levels.**
- **Government cooperation can potentially strengthen the projects' positive impact on the poor, but it is no substitute for commitment on the part of the private sector.**
- **Multistakeholder dialogue is crucial for ownership.**
- **Development organizations should actively engage in CSR-related PPPs and offer support during the design and implementation phases.**

Figure 1: Levels of GDC intervention



Adapted from Bodenbender et al, 2007:11

Thus, German development cooperation currently supports actors in developing countries in three different but complementary dimensions, which extend across instruments and intervention areas:

- 1. Advice on systems**, such as government incentive systems. By providing advice in the design and implementation of CSR programs, German development cooperation, based on its knowledge and experience, advises countries on how to adjust CSR to national strategies and supports them in their strategic approach and in choosing the appropriate measures.
- 2. Capacity development**, by building up competencies and transferring expertise. German development cooperation assists in developing audit structures, strengthening business development services, expanding the work of business associations to include CSR, and implementing pilot projects in selected sectors.

- 3. Advice on structures and processes** through dialogue, multistakeholder processes, PPPs and strategic partnerships. In its role as an “honest broker,” German development cooperation initiates and promotes dialogue processes and acts as a mediator between the public and private sectors.

Based on the insight it has gained into CSR policy and performance in various countries, German development cooperation cooperates with public and private sector actors to identify the right mix of tools for tailoring a functional CSR approach that reflects the context at hand.



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

- | | |
|--|---|
| <ul style="list-style-type: none"> • 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) | <ul style="list-style-type: none"> • 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

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

Code for corporate governance (DE, EY)

Accountability for human rights violation (US)

Best practice codes for listed companies (PL)

Sectoral codes of conduct (CN, IN)

Inspection on labor compliance (VN)

Information centre on occupational health and safety (VN)

Financial/organizational contribution for Global Compact national forum (FR, DE, GB, SE, EY, MZ)

Capacity building and advisory service for int. standards (EY)

Translation of ISO standards (EY)

2nd Generation

CSR aspects in corporate governance legislation (VN, CN)

Standard for corporate governance reporting incl. sustainability (ZA)

Corporate governance assessment to benchmark against OECD standard (EY)

Company Law requiring reporting on non-financial policies and impact (EY)

Code of good practice for social integration (ZA)

Voluntary framework for export related companies/sectors (CN, VN)

Campaign, support for eco/fair trade products (FR, DE, GB, ZA)

Awards for CSR related aspects (BR, CN, US, IN, VN, FR, EY)

Support for issue specific corporate network (f.i. BLIHR, GB)

Training and awareness campaigns for corporate governance (EY, CN)

Competition for best CSR report and website (EY)

Information on ethical, environmental and social aspects for investors (DE)

Mandatory reporting on environmental and/or social aspects (GB, SE, ZA, CN)

Guidelines for CSR reporting (VN)

Labeling for environmental or food safety aspects (IN, CN)

Financial fund for fair trade development (FR)

Blacklists naming non responsible companies (CN)

Subsidies for SMEs applying ISO (IN)

CSR implementation Guide for SMEs (GB, SE)

3rd Generation

Standard on corporate governance structure (US)

Legal personal responsibility of director for social and environmental aspects (GB, ZA)

Network of reporting companies implementing OECD Guidelines and Global Compact (Globalt Ansvar, SE)

Scorecards for measurements of integration of codes (ZA)

Awareness on guidelines for ethical marketing (SE)

CSR award (GB)

CSR company ranking together with business initiative (GB)

Standard and guideline for self-assessment of CSR activities (GB)



Politics

1st 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)

Promotion of international standards like ISO, EMAS SA, GRI (DE, ZA, EY, VN)

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)

2nd Generation

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)

Distribution of OECD Guidelines among companies and embassies in developing countries (SE)

Promotion of OECD Guidelines through export credits board (SE)

Endorsing of GRI Guidelines and ISO standardisation (SE)

Policy dialogues with int. organisations (CN)

High level events on int. standards (SE)

Publications/Media-reports/Webpages (DE, CN)

National council on sustainable development (FR, DE)

Public procurement according to environmental aspects (GB)

Public procurement according to social aspects (ZA)

OECD Guidelines acknowledgement for export credits (FR)

Adoption of GRI Guidelines by public bodies (ZA)

Governmental CSR working group (PL)

Government information portal on CSR (GB)

3rd Generation

Public procurement clearing house (community level, GB)

OECD contact point with evaluation steering point and cross cutting ministries (UK)

Export credits linked with compliance on public sector CSR criteria (US, DE)

Minister for 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

Detailed information on each policy tool in the long version only: available for download (pdf) at www.bertelsmann-stiftung.de/csr or at www.gtz.de/csr



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)

Employers saving fund connected to social and environmental aspects (FR)

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

2nd Generation

3rd Generation

PPP for specific issues (environment, social...) (DE, SE, IN, US, EY, MZ)

PPP for local promotion of norms and guidelines (FR)

Body/commission to motivate PPPs (GB, SE)

Law on formation, scope and responsibility of PPPs (PL)

PPP for ranking corporate environmental performance (ZA, CN)

PPP specific for CSR promotion (BITC, GB)

Mandatory cooperation between local NGOs and local government (PL)

Programme for mediators for inter-sectoral cooperation at local level (GB)

Trainings on codes and labour issues, jointly with NGOs (VN)

Tri-sectoral council for Public Benefit Activity, monitoring/mediating (PL)

Roundtable sessions with various stakeholders (VN, CN)

Participation in int. standard development (ISO for CSR, FR)

Issue specific working groups f.i. on corruption or inclusion (ZA, IN)

Financial support for multi-stakeholder partnerships (GB)

Multi-stakeholder dialogues on various issues (SE, FR, DE, VN, IN, CN)

Tri-partite task force for policy development f.i. procurement (GB)

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