The Role of Governments in Promoting Corporate Responsibility and Private Sector Engagement in Development

MANDATING

PARTNERING

AWARENESS RAISING

SOFT LAW

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United Nations Global Compact | Bertelsmann Stiftung

Imprint

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Executive Summary

The economic crisis that so many countries have been experiencing has put the spotlight on the need for more corporate responsibility and what governments can do to promote it. In addition, interest in innovative ways to help stretch government resources for development has risen. Responsible business, as the key driver of sustainable development, also has a lot to offer in the way of resources, expertise, distribution networks, personnel, and so forth.

Against this backdrop, this report focuses on two dimensions of the relationship between governments and business. The first explores trends in public policies promoting corporate responsibility (CR). The second explores opportunities for governments to engage the private sector in development. The approach advocated by the report is that business efforts to promote development are or should be seen as core to being a responsible business.

The main public policy options for governments in promoting corporate responsibility and business engagement in development discussed in the report are:

- Awareness-raising efforts to create a shared understanding of corporate responsibility among companies and the broader public, including what business can do to implement it.
- Partnerships designed to create win-win situations in which various stakeholders work collectively toward a shared goal.
- Soft law approaches that promote and incentivise voluntary action by business as a complement to state regulation.
- Mandating instruments that allow governments to monitor and enforce corporate accountability.

The paper is based on records in the publication "The CSR Navigator–Public Policies in Africa, the Americas, Asia and Europe" (2007).* The CSR Navigator was published by the Bertelsmann Stiftung and the German Agency for Technical Cooperation (GTZ), and was updated for the purposes of this paper. The innovative examples in CR public policy are based on in-depth Internet research and consultation with experts and public sector representatives around the world.

The report illustrates the policy options with a number of examples of public actions and policies in the north and south. While there is clearly no one-size-fits all approach, the aim of this report to assist government in considering their menu of options specific to their national context and the specific thematic issue that they seek to address—whether human rights, labor, the environment, anti-corruption and/or business engagement or topics like health, water, education etc. A six-step model provides governments with a compass intended to assist in designing the policy framework for corporate responsibility and business engagement in development that is right for them. The six steps are:

- Understanding the CR-relevant context.
- Defining corporate responsibility.
- Situating CR within a government structure.
- Defining the CR public policy rationale
- Identifying appropriate types of policy intervention for CR.
- Monitoring and impact assessment.

Introduction Corporate Responsibility as a Strategic Tool for Business and Society

Business and governments have to redefine their roles and responsibilities in society.

The corporate responsibility (CR) agenda has reached a tipping point in the year 2010. Two key events leading up to this point—the collapse of Lehman Brothers in 2008 and the mixed results of the Copenhagen Summit in 2009—have had game-changing consequences for businesses and governments alike, calling them to redefine their roles and responsibilities in society.

Over the last decade, the private sector's CR agenda was based primarily on the twin recognition that business is a part of society, and that companies have the potential to contribute to environmental and societal goals. For suppliers in middle- and low- income countries in particular, CR has become an important factor in reaching out to global markets. For their part, large transnational companies have increasingly found that integrating a responsible approach to environmental, social and governance issues into their core business activities is a crucial factor in ensuring long-term viability and success.

The public sector too has become an important actor in promoting the CR agenda. Governments around the world have become increasingly proactive in creating enabling framework conditions for CR. Governments have begun to see CR as a subject with relevance for public policy, due to its ability to enhance sustainable and inclusive development, increase national competitiveness and foster foreign investment. Much of this can be accomplished by using policy tools to encourage voluntary business activities as a complement to traditional regulatory channels.

The fallout from the financial crisis in many countries around the world has put the spotlight on the issues of corporate responsibility and the business sector's role in society. This is attributable to several causes. First, firms' inadequate assessment of risks and narrow focus on short-term returns led to a destabilization of markets. Therefore, issues of comprehensive risk management, long-term performance and responsible leadership are now rapidly gaining relevance. Second, disregard for the interests of society and stakeholders and insufficient respect for environmental, social and governance issues in the course of business operations have meant that business has suffered a fall from grace in the eyes of many governments and societies. As a consequence, trust in companies and their corporate leaders has plunged to record-low levels, with 2009 earning the title the year of "trust armageddon."[1]

As trust in companies has declined, calls for stronger government regulation of corporate activities have intensified. However, the mixed results of the 2009 Copenhagen Summit clearly demonstrated the limited ability of state intervention to address global challenges on its own. Although a new "climate diplomacy" among leading states is a necessary step in the right direction, governments alone are unable to effectively address "problems without national boundaries" such as climate change, poverty or human rights violations.[2]

The big challenge: rebalancing responsibility in society

The pertinent lessons from the financial crisis and the mixed results of the Copenhagen Summit are clear. Companies must focus increasingly on long-term value creation and engage in wider consideration of stakeholder interests if trust and confidence in today's markets are to be restored. To this end, companies must integrate environmental, social and governance factors into their risk management strategies and must engage more deeply within their communities.

Governments are tasked with putting crisis-shaken markets back on track, and with finding solutions to difficult global challenges. Rules and regulations addressed to this end can be best developed through a decentralized approach that includes the participation of private industry. This decentralized approach should rest on the idea that voluntary business activity should never be treated as a substitute for effective regulation, but can be a powerful complementary tool.

Businesses and governments must each re-examine existing value systems—above all, taking a hard look at the underpinnings of our global financial and economic system—and make joint efforts to prevent or overcome the major crises of the future. Given the rising potential for new crises linked to issues such as water supply, food and energy, achieving the Millennium Development Goals (MDGs) in

2015 represents one of the biggest challenges for all societal actors ahead.

The overarching goal is therefore to reshape the contract between business, government and society, establishing a new balance of responsibility.

The answer: corporate responsibility as a tool for businesses and governments

Corporate responsibility and private sector engagement in development activities are key factors in this rebalancing of responsibilities. Now is the time to build on the last decade's advances in the field of CR, made both by companies and governments. With the effects of the financial crisis still lingering, strengthening CR practices will represent an important part of any attempt to avoid future crises and to create a more sustainable and inclusive global economy.

> There is no global consensus on a single definition of corporate responsibility. Definitional approaches tend to differ according to the specific focus (i.e., environmental or social issues).
>
> To avoid definitional problems, this paper uses the term "Corporate Responsibility (CR)" and "Corporate Social Responsibility (CSR)" as synonyms.

If corporate responsibility is to reach its full potential in addressing these goals, the private and the public sectors must collaborate and consider their unique roles in a proactive way.

Corporate responsibility as a management approach helps businesses to regain trust and transform environmental, social and governance challenges into strategic opportunities, as well as better equipping firms to deal with crisis situations.

Corporate responsibility as a governance approach allows governments to establish frame-

Governments are tasked with putting crisis-shaken markets back on track and finding solutions to difficult global changes.

Strengthening CR can help us prevent future crises and create a more sustainable global economy.

work conditions that encourage corporate responsibility, and to use voluntary corporate efforts to complement regulatory measures in the pursuit of the common good.

Corporate responsibility as a management approach

Corporate responsibility, as a strategic tool shaping the future of business, takes place in three contexts:[3]

Within the market, with particular reference to the sustainable organization of a company's core business. This might include the following aspects:

- Decision-making and value creation founded on long-term considerations rather than short-term thinking.
- Products and services that are transparent, create social and economic value, and open up underserved markets.
- Visionary, value-oriented management that includes human rights, labor, environmental and governance factors in its risk assessments and value-chain oversight.
- Comprehensive and accurate disclosure, based on measurable performance indicators.
- Robust relations between a firm and its political and societal stakeholders, allowing it to respond not only to investors, but also to consumers, communities, employees and others.

Outside the market, where it ranges from philanthropic measures to issues of corporate citizenship.[4] The focus should be on:

- Social engagement that is linked to a firm's core business and helps integrate the company into the surrounding society.

Improving market conditions, or measures aimed at changing the overall market environment. This might include:

- Voluntary activities by companies that complement state regulations, and help to create a level playing field by establishing industry standards and self-binding rules

> **CR helps business rebuild trust and transform environmental, social and governance challenges into opportunities.**

> **CR allows governments to complement regulation with voluntary corporate efforts in the pursuit of the common good.**

A.T. Kearney
The A.T. Kearney "Green Winners" study (2009) reveals that during the current economic slowdown, companies showing a true commitment to sustainability appear to outperform their industry peers in the financial markets. In 16 of the 18 industries examined, companies recognized as sustainability focused outperformed their industry peers and were well protected from value erosion. This performance differential translates to an average of $650 million in market capitalization per company.
http://www.atkearney.com/images/global/pdf/Green_winners.pdf

- Public-private partnerships that tackle issues too complex for one sector to address alone, and which shape the sustainability agenda of governments and businesses.

Corporate responsibility as a governance approach

Corporate responsibility as a governance approach entails governments establishing conditions in which CR can flourish. States make the rules and devise incentives for corporate responsibility. Creating a policy environment that facilitates, provides incentives, encourages or even mandates responsible business activities is crucial to building a sustainable and inclusive economy.

Governance CR activities to date have largely been derived from a series of external and internal drivers that collectively generate a "public policy case" for CR.

The most common drivers of public CR policy include:

- Addressing social and environmental problems more effectively by tapping the business sector's problem-solving and innovative capacities.
- Minimizing negative externalities in the environment and society associated with corporate activity and establishing a coherent level playing field for companies.

- Closing governance gaps on the national (often due to institutional weaknesses) and international (due to a lack of regulatory bodies) levels, by using voluntary business activities to complement state regulations or interventions.
- Attracting investment and fostering the competitiveness of the national private sector.
- Integrating the local private sector into global markets and value chains.
- Exploring new forms of governance by entering into public-private partnerships designed to reach public goals at the national or international level.

To achieve these goals, governments have a variety of instruments that promote corporate responsibility while taking national political, economic and societal contexts into account, and can build on existing policy frameworks. As with CR activities inside companies, public policy instruments need to be coordinated and implemented coherently to be most effective.

Understanding public sector roles and policy instruments that support CR is essential if governments are to make the most of corporate responsibility as a governance approach. The following chapters provide an overview on policy interventions and policy instruments in the north and south to foster CR and offers practical guidance on the design of policy processes supporting CR.

Edelmann Trust Barometer

According to the Edelmann Trust Barometer, which urges companies to take a multidimensional approach in engaging with stakeholders, trust and transparency have always played an important role in the set of factors influencing corporate reputations. However, for the first time, the Trust Barometer 2010 shows that trust and transparency are as important to corporate reputation as the quality of products and services.

In the United States and in much of Western Europe, these factors now rank higher than product quality—and far outrank financial returns—which ranks at or near the bottom of 10 criteria influencing corporate reputation worldwide.

Partnerships rooted in advancing social good have become a conduit to earning trust. The overwhelming majority of informed publics claim they would be more likely to trust a company that partners with NGOs in order to meet global challenges such as climate change, poverty or disease. For further details, see: **http://www.edelman.co.uk/trustbarometer/ files/edelman-trust-barometer-2010.pdf**

Chapter 1
Recent Developments in CR Public Policy in the International Arena

Worldwide, public administration is identified as playing a key role in developing sustainable and inclusive economies.

Over the last decade, corporate responsibility has become a topic of great political interest. Governments have become increasingly proactive in promoting corporate responsibility by adopting a variety of policies to promote responsible business activities. Many of these initiatives echo the principles outlined by different international organizations such as the United Nations Global Compact, the OECD and the European Commission, in which the role of public administration and public policy initiatives are identified as key to a more sustainable and inclusive economy.[5]

The following paragraphs highlight some recent developments relevant for public sector CR activities at the international level:

African Union
On the occasion of the 11th African Union Summit in 2008, the Executive Council of the African Union (AU) announced its decision to facilitate the private sector's critical role in promoting Africa's regional and continental integration agenda. This decision highlights the ongoing collaboration between the AU Commission and the UN Global Compact. In November 2009, AU experts on Women and Gender Affairs adopted a roadmap for the African Women's Decade (2010 – 2020) targeting gender equality in African countries. The roadmap emphasizes gender issues in responsible business practices and aims to develop the private sector's capacity to address issues that affect women and allocate the appropri-

ate resources to them.[6] In addition, a joint strategy to promote a comprehensive dialogue on several issues, including CR, was developed in 2007 within the framework of the African Union-EU partnership. Finally, the New Partnership for Africa's Development (NEPAD), which is an initiative of the African Union, addresses CR-related issues such as sustainable growth and development.

ASEAN countries
Progress in adopting the CR public policy agenda can also be observed in Asia. At the 2009 Association of Southeast Asian Nations (ASEAN) Summit, member States endorsed a CR agenda for the region as outlined by the ASEAN Socio-Cultural Community Blueprint.[7]

The ASEAN member States aim to:
- Develop a viable policy or legal CR framework by 2010 in order to ensure that businesses integrate corporate responsibility into their operations, and to contribute toward building sustainable economies.
- Engage the private sector in the corporate responsibility activities of the ASEAN Foundation.
- Encourage firms to adopt and implement international standards on social responsibility.
- Increase the awareness of corporate responsibility within ASEAN member States, particularly with regard to relations between businesses and communities, and support community-based development.

European Union
The Lisbon Strategy (March 2000), which aimed to invigorate the EU economy through social and environmental renewal, for the first time in EU history, identified CR as a top priority on its political agenda.[8] In its most recent communication on CR (2006), the European Commission emphasized the importance of CR to European society, challenging businesses to demonstrate leadership in this field.[9] It also outlined the ways in which it plans to continue promoting CR as a voluntary concept, emphasizing the need for dialogue between stakeholders. In March 2010, the European Commission committed itself to "renew the EU strategy to promote Corporate Social Responsibility as a key element in ensuring long term employee and consumer trust."[10] Corporate responsibility also features prominently as part of the EU's "Europe 2020" strategy for smart, sustainable and inclusive growth, and in the Commission's work program adopted in March 2010.[11]

Key CR public policy issues emerging at the European level include:[12]
- Enforcing the reporting and disclosure of environmental, social and governance information.
- Supporting and influencing various international CR instruments, such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, and the draft ISO standard on social responsibility.
- Promoting business and human rights in line with the principles promoted by the UN Secretary-General's Special Representative on business & human rights.

The Americas
In Latin America and the Caribbean, CR has become an important issue addressed by regional political forums and declarations. Indeed, CR was made part of the agenda at the three most recent Summits of the Americas, including the third summit in 2001 on "Trade, Investment and Financial Stability," where a plan of action was adopted that explicitly addressed CR. The plan recognized that businesses can make an important contri-

bution to sustainable development, and that they can play a key role in increasing access to opportunities and reducing inequalities in the communities in which they operate. Underscoring the growing expectations among citizens and civil society organizations that businesses carry out their operations in a manner consistent with their social and environmental responsibilities, the plan called for continued analysis and consideration of CR by the Organization of American States (OAS). Other activities supported by the plan include: further dialogue on CR involving representatives from governments, civil society, business community actors; awareness-raising activities; and fostering the adoption and implementation of principles of good conduct by the business community. [13]

In 2005, at the fourth Summit of the Americas in Argentina, attendees published the "Create Work to Combat Poverty and Strengthen Democratic Governance" declaration, which stressed the urgency of private sector participation and the need to promote sustainable economic growth that is informed by principles of equity and social inclusion. The declaration also called for greater transparency, improved social dialogue and an enhanced culture of social responsibility among companies in achieving these goals.

The declaration issued at the fifth Summit of the Americas, held in 2009 in Trinidad and Tobago, again identified CR as an important instrument in attaining sustainable development. An agreement in support of developing and implementing the best voluntary CR practices in the energy sector was issued, as was an agreement to enhance dialogue among representatives from government, industry, local communities, indigenous groups and nongovernmental organizations. [14]

G20 process
In September 2009, the G20 gathered in Pittsburg to discuss actions for a sound and sustainable recovery from the global and financial crisis. While the previous summits in London and Washington focused on pre-

CR is a prominent part of the EU´s Europe 2020 strategy.

In Latin America and the Caribbean, CR is given top priority in regional political forums and declarations

venting an economic catastrophe by developing a set of policy actions, the Pittsburg Summit aimed at undertaking significant steps to attain sustainable growth.[15]

Key ongoing accomplishments of the summits include:[16]
- Adopting and launching President Obama's Framework for Strong, Sustainable, and Balanced Growth, which outlines a process for economic cooperation to ensure that post-crisis policies avoid imbalances which, in turn, prevent long-term economic growth.
- Strengthening economic recovery by continuing stimuli until recovery is secured and coordinating efforts taken in response to the crisis once recovery is secured.
- Advancing new financial market regulations by setting international standards for compensation aimed at ending practices that lead to excessive risk-taking.
- Phasing out inefficient fossil fuel subsidies and increasing energy market transparency.
- Modernizing the infrastructure for global economic cooperation with the G20 at the center.
- Supporting the world's most vulnerable citizens by investing in food security, renewable energies and strengthening the poor's access to financial systems.
- Delivering on previous commitments, proving that when the G20 speaks, it acts.

Within the Framework for Strong, Sustainable, and Balanced Growth, core values for sustainable economic activity have been adopted that are integral to CR: propriety, integrity and transparency.

ISO 26000 standard

In 2001, the International Organization for Standardization (ISO) decided to develop an International Standard providing guidelines for social responsibility (SR). In the last five years, hundreds of experts from government, business, employee, consumer and other organizations worldwide have participated in this process. The guidance standard is scheduled to be published in 2010 as ISO 26000. As a voluntary standard, it will not be a certification standard.

The aims of the ISO 26000 include:[17]
- Developing international consensus on what SR means and which SR issues organizations need to address.
- Encouraging voluntary commitment to social responsibility among all types of organizations from the private, civil society and public sectors.
- Achieving common guidance on concepts, definitions and methods of evaluating SR.

OECD Guidelines for Multinational Enterprises

The OECD Guidelines contain recommendations for responsible business conduct which aim to strengthen the basis for trust between enterprises and the societies in which they operate, improve the foreign investment climate and boost enterprises' contribution to sustainable development. Signatory states establish a National Contact Point (NCP), which operates a specific instance procedure for handling concerns raised about corporate conduct. In 2009, a new review process was initiated to update the Guidelines. The primary objective of this process is to adapt the Guidelines to current challenges and enhance their effectiveness as a mechanism for corporate responsibility. Still underway, the revision process is scheduled to conclude by the end of 2010.

United Nations Global Compact

The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption. By doing so, business, as a primary agent driving globalization, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere. The UN Global Compact has two objectives:

1) Mainstream the ten principles in business activities around the world;

2) Catalyze actions in support of broader UN goals, including the Millennium Development Goals (MDGs).

With these twin and complementary objectives in mind, the UN Global Compact has shaped an initiative that provides collaborative solutions to the most fundamental challenges facing both business and society. The UN Global Compact seeks to combine the best properties of the UN, such as moral authority and convening power, with the private sector's solution-finding strengths, and the expertise and capacities of a range of key stakeholders. The initiative is global and local, private and public, voluntary yet accountable. The UN Global Compact's has a unique constellation of participants and stakeholders—bringing companies together with governments, civil society, labor, the United Nations, and other key interests.

In 2010, the UN Global Compact entered a new agreement with the Global Reporting Initiative (GRI) to strengthen the quality of sustainability reporting in the corporate sector. The two initiatives seek to further develop their combined strengths–the GRI's reporting framework and the UN Global Compact's strategic advancement of key sustainability issues.

In 2010, the UN Global Compact and the GRI entered a new agreement to strengthen the quality of CR reporting.

Chapter 2
Government Intervention and Action Areas in Promoting CR

As governments seek to address corporate responsibility from a political perspective, two primary variables play a dominant role in shaping public policy agendas:
1) The type of government intervention used to promote responsible business efforts.
2) The specific issue or action area to be addressed.

1) Types of government intervention in CR

In selecting the appropriate types of policy intervention, governments must take into account local socioeconomic, political and cultural contexts as well as the specific problems or action areas in and through which social change is desired. Governments may wish to combine different types of intervention in order to address social challenges effectively. Practical experience shows that various types of government interventions can comfortably coexist, and can in fact be complementary.

There are at least four types of government intervention that can usefully be distinguished.[18]

Awareness-raising
Awareness-raising instruments represent an important tool for governments in disseminating the idea of CR and providing incentives for business to adopt it. Aimed at demonstrating how companies can contribute to sustainable development, these tools are often used to cre-ate a common understanding of CR among companies and their stakeholders. Raising awareness is an important first step leading to public sector engagement in CR. Specific examples of policy instruments include: tax exemptions for social or philanthropic invest-ments, Internet platforms and award schemes that increase the visibility of CR activities, training and capacity building for small- and medium-sized enterprises (SMEs), and provid-ing funding for research on CR.

Partnering
Partnering instruments lie at the heart of the CR public policy agenda. Partnerships combine the expertise, competencies and resources of the public sector with those of business and other societal actors to address action areas within the CR agenda, thus creating benefit for all. In these partnerships, governments may be the initiator, moderator or facilitator. For example, governments can launch multi-stakeholder dialogues, undertake collective action or capacity building efforts with com-panies, involve various stakeholders in stan-dard-setting procedures or simply mobilize financial resources. Numerous partnerships have evolved in recent decades to tackle issues such as poverty reduction, access to health and safety, and educational infrastructure.

Soft law
Soft law interventions to promote CR are non-regulatory interventions. Examples of soft law policies include the promotion of universal principles such as the UN Global Compact and

Hard versus soft – the importance of voluntarism in the CR agenda

There has been considerable debate about the role of legislation and public policy in developing a corporate responsibility agenda for governments, much of it focusing on the role of voluntary activity. While mandatory instruments have enforcement mechanisms, the challenge in using voluntary actions is to ensure their effectiveness and implementation. Voluntary initiatives—which by definition are not legally binding—should never be a substitute for effective regulation, but can be a powerful complement. Soft forms of power have the unique potential to allow companies to exert their innovative capacity to its fullest in search of the most appropriate practice, thus enabling them to be better than the law requires. In this way, voluntarism provides the means to move beyond lowest-common-denominator standards or rules.[19]

Especially in countries where legal enforcement is weak, voluntary action can be an effective complement to regulation, helping to create a level playing field for corporate action. However, if soft or voluntary interventions are to indeed change the behavior of companies, they must be part of a much broader, coherent public action plan. This plan must successfully provide the private sector with incentives for activity, and should include a variety of soft instruments including awareness-raising tools, partnering instruments, and the promotion of universally accepted principles and guidelines. The examples given in Chapter 3 present an overview of soft power instruments based on voluntary corporate efforts already in place in northern and southern countries.

Soft forms of power can give companies the room to put their innovative capacities to good use, enabling them to be better than the law requires.

the OECD Guidelines for Multinational Enterprises, the inclusion of corporate responsibility criteria in public procurement procedures, and the establishment of a national action plan on CR. Soft forms of regulation may offer an attractive complement to legislation. Unlike mandatory instruments, which often require long and intensive negotiation processes, soft law instruments can provide a flexible approach that can be easily adapted to a variety of policy fields.

Mandating

Mandating instruments are often used to set and enforce minimum standards for business performance in CR-relevant areas such as environmental protection, anti-corruption and labor laws. These standards can come in the

Types and Instruments

Awareness-raising	Award schemes, information platforms, campaigns, training and capacity building measures, disclosure of payments to public institutions, naming poor performers, labeling, toolkits.
Partnering	Multi-stakeholder involvement, public-private partnerships, collective action efforts, roundtables.
Soft Law	Corporate governance codes, codes of conduct, implementation of international principles, guidelines for CR reporting, tax exemptions for philanthropic activities, linking CR aspects to public procurement procedures and export credit boards.
Mandating	Company laws, regulations for pension funds, stock exchange regulations, laws on CR reporting, penalties for non-compliance.

Five cross-cutting action areas can help address issues as diverse as education, human rights, poverty, health and the environment.

In order to rebuild trust, new corporate governance structures rooted in ethical guidelines are needed.

form of laws, regulations or sanctions which regulate and enforce business activities. Legal frameworks for corporate responsibility vary widely depending on a country's socioeconomic and cultural framework. Although CR is generally considered a voluntary tool, a number of governments have implemented mandatory measures in recent years that oblige companies to report on their CR-associated business activities or to initiate public-private partnerships.

2) Top five CR action areas within the public policy agenda

The themes addressed by the CR public policy agenda can range across issues as diverse as education, human rights, poverty, environment, health and safety, participation in society and social inequality. Which specific issues are involved will depend on context-related aspects such as socioeconomic and cultural conditions or a country's most pressing social or environmental problems. However, at least five cross-cutting action areas, outlined in the paragraphs following, can help address the wide range of thematic issues. Taken together,

they reflect broad trends in public CR policy development today.

Corporate governance
The economic downturn affecting many countries in recent years has led to governments and societies at large to push for improvements in corporate transparency and accountability. In order to rebuild trust and confidence in business, new corporate governance structures are needed that are rooted in ethical guidelines, include practices aimed at establishing fair relationships with firm stakeholders, and effectively combat bribery and corruption. Pressure for good corporate governance also derives from the steadily growing number of socially responsible investors, who require companies to adopt ethical guidelines in their governance structures. In Europe, for example, the market share held by socially responsible investments (SRIs) has increased to 17.6 percent of all assets.[20] Governments can work with investors to enhance corporate sustainability across the environmental, social, corporate governance and financial aspects of firms' operations. For example, governments can introduce ethical requirements linked to government pension funds, public loan guar-

Principles for Responsible Investment
In order to bring the consideration of environmental, social and corporate governance (ESG) issues into the mainstream of investment decision-making, the UN Global Compact and United Nations Environment Program Finance Initiative (UNEP-FI) devised the Principles for Responsible Investment (PRI). PRI has over 740 signatories worldwide, representing $20 trillion in assets under management. The PRI recently launched its Public Policy Network, designed to bring together policymakers and investors, thus increasing the visibility of responsible investment (RI) in the public sector.

Through this network, governments are encouraged to:
- Promote public sector endorsement and support for RI and the PRI;

- Work with investors to set up regulatory frameworks to support responsible investors' efforts when necessary;
- Adopt RI policies and integrate ESG issues into their own investment activities (i.e., government pension funds);
- Promote and participate in ESG-related investments such as clean technology, microfinance and sustainable venture capital.

As part of the PRI Public Policy Network, the PRI is establishing an advisory committee consisting of governments that have already adopted RI initiatives—either through regulation or other supportive roles.
For more information, see **www.unpri.org**

Inclusive business models at the base of the pyramid

The idea behind "inclusive" business models at the base of the global income pyramid is to fight poverty through the use of business activity. When companies seek to address the difficulties of people living in poverty, both sides stand to benefit. Access to markets enables these people to make productive use of their capital, improving the quality of their lives with the money they earn. The best-known example is the micro-credit activities of Grameen Bank, which was founded by Nobel Prize winner Muhammad Yunus.

Given the challenges of doing business in the villages and slum of developing countries, companies often turn to non-traditional partners, including governmental institutions, when developing infrastructure. Whereas governments can improve market conditions for education, information technologies and infrastructure, companies can provide important input for legislation, as they often understand and are invested in confronting the challenges existing on the ground. Engaging in dialogue with governments does not have to descend into socially detrimental lobbying. Firms' requests are given legitimacy through the collective activities of stakeholders such as chambers of commerce, industry or expert dialogues.

For more information, see:
http://www.nextbillion.net/

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antees or public procurement. They can also promote the Principles for Responsible Investment (PRI) or develop codes of conducts for corporate governance in association with business. In South Africa, for instance, the Black Economic Empowerment Initiative includes binding codes of good practices in areas such as employment equity and ownership requirements, in an effort to ensure social sustainability.

Reporting and disclosure
Transparency in internal and external communications is important for the success of CR. Proactive, honest communication with a company's stakeholders, including discussion of corporate values, activities, successes and challenges, is the foundation for building trust and enhancing a firm's reputation. The economic crisis experienced by so many countries is acting as a catalyst for many companies to provide more transparent and robust information on nonfinancial policies as well as social and environmental activities based on measurable performance figures reviewed by outside experts. Moreover, growing concerns worldwide about human rights violations, water scarcity and corruption are pushing the need for CR-related reporting and disclosure to the next level. Policy initiatives related to reporting include legal requirements for mandatory reporting and disclosure, and the development of guidelines for voluntary reporting. In Sweden for example, the Globalt Answar initiative requires member companies to report on the way in which they implement the principles of the UN Global Compact and/or the OECD Guidelines for Multinational Enterprises.

Community involvement and development
Businesses will increasingly need to concern themselves with development issues and the delivery of public goods that bring both economic risks and opportunities. In many cases, activity in these areas will broadly affect the regions and communities in which the firms operate. Companies need good access to infrastructure (i.e., transport, roads), natural resources (i.e., water, air, energy) and qualified and healthy employees. In addition, companies can win customers among groups with a low level of market participation (the "base of the pyramid") by offering products tailored to their needs or through new business models. Thus, they may have an economic incentive to contribute to the supply of public goods, to engage with their surrounding communities and more broadly to address development issues as a whole. Particularly in countries

Growing concerns about human rights violations, water scarcity and corruption are increasing the need for CR-related reporting.

Collective action aimed at the delivery of public goods has increased significantly in the past decade.

Responsible management and production address the heart of a company´s core operations. Instruments to promote them should therefore be at the top of the CR public policy agenda.

where weak enforcement mechanisms, scarce resources or lack of political will in the public sector have led to a dearth of public goods, voluntary corporate contributions may represent an important complement to public policies and actions. Collective action aimed at the delivery of public goods has increased significantly in the past decade.

Governments can engage the private sector by initiating public-private partnerships or by integrating business solutions into national frameworks on issues such as poverty reduction or food security. The U.S. Government's Program on Occupational Health and Safety, aimed at bolstering workplace safety and access to health care, is one example of the collective delivery of a public good.

Responsible management and production
Responsible management and production procedures address the heart of a company's core operations, and should therefore be at the top of the CR agenda. If too little attention is paid to this area, the risk of detrimental behavior such as human rights abuses or environmental damage is high. However, at the same time, opportunities to create sustainable value and make a lasting contribution to society are high. Additionally, responsible management conditions can only prevail if executives themselves live in accordance with their companies' stated values and act as responsible leaders. Sustainability-based incentives should be linked to firms' long-term performance, and responsible leadership training should begin with university education. Governments can provide incentives and enable companies to monitor their production and distribution conditions according to ethical guidelines, to respect human rights and to implement environmental management systems. Doing so can help attract investment and increase the private sector's competitiveness. Responsible management and production can be promoted by public sector bodies through technical advisory services, state-led audits, capacity building, multi-stakeholder-driven codes of conduct, and CR labels or certification procedures. Public sector driven incentives can include subsidies for the development of

products and services with a relatively low environmental impact. The public sector can promote responsible leadership and education by supporting the Principles for Responsible Management Education (PRME) initiative. Governments can also mandate responsible production through regulations on environmental protection such as CO_2 emissions, or the prohibition of child labor. India's government, for example, has sought to promote responsible management and production among Indian companies through a set of voluntary guidelines on issues such as workers' rights, human rights and environmental protection.

Principles for Responsible Management Education
Launched in 2007 at the UN Global Compact Summit in Geneva, the Principles for Responsible Management Education (PRME) initiative is aimed at encouraging responsible management education, research, and thought leadership on a global level. The initiative is aimed at improving management education institutions by developing a new generation of responsible business leaders. It was inspired by internationally recognized principles such as the UN Global Compact and calls upon universities to adapt their curricula and research to new business challenges.

PRME is governed jointly by the UN Global Compact Office and other members of the PRME Steering Committee, including the Association to Advance Collegiate Schools of Business, the European Foundation for Management Development, the Aspen Institute's Business and Society Program, the European Academy for Business in Society, the Graduate Management Admission Council, the Globally Responsible Leadership Initiative and Net Impact.

For more information, see
http://www.unprme.org

Responsible consumption
The growing intensity of consumer pressure has encouraged businesses to adopt responsible

Protect, Respect and Remedy: a Framework for Business and Human Rights
The work of the Special Representative to the Secretary-General (SRSG) on business and human rights is increasingly shaping the business and government agenda in the human rights field.[21] Having introduced the "Protect, Respect and Remedy" framework, the SRSG has recommended a portfolio of possible state measures aimed at promoting corporate respect for human rights, preventing corporations' human rights abuses and providing effective remedies.

For more information, see
http://www.business-humanrights.org/SpecialRepPortal/Home

business practices in recent years. Today, consumers care not only about the price and quality of products and services, but increasingly about environmental and social "footprints" as well. Fair trade products, grounded in principles of trade partnerships, dialogue, transparency and respect, can promote greater equity in international trade relationships, particularly for developing countries in the south. These products can contribute to sustainable development by offering better trading conditions to and securing the rights of marginalized producers and workers. Public sector bodies can support responsible consumption and fair trade through CR-related labeling or certification schemes aimed at stimulating consumer demand for eco-friendly or socially friendly products. In addition, governments can raise awareness of ethical products by launching consumer-education campaigns or strengthening consumer protection activities. The public sector can itself be a "responsible consumer" by including CR-related requirements in its public procurement processes. In Colombia, for example, the Green Markets (Mercados Verdes) initiative aims at increasing the production of so-called green products through state-led advisory services and funding.

Todays' consumers care not only about the price and the quality of products, but increasingly about environmental and social footprints as well.

Chapter 3
Good Policy Options to Foster CR

Though not explicitly undertaken as CR initiatives, many policy options can nonetheless promote responsible business activity.

A wealth of previous experience is available to policymakers seeking effective ways to promote corporate responsibility through public policy. Although only a few national governments have, to date, pursued coherent and comprehensive CR promotion strategies (i.e., Costa Rica, Denmark, Sweden and Poland),[22] the majority of governments have at least implemented localized initiatives or individual measures. This chapter highlights a selection of public policy instruments currently being applied by governments, looking at countries from the north and south. The examples provided are categorized by the different types of policy intervention—awareness raising, partnering, soft law, mandating—as explained in Chapter 2.[23]

Lessons learned
A survey of existing policies aimed at promoting corporate responsibility yields a number of initial conclusions:

- Although many of the initiatives highlighted here were not explicitly undertaken as "CR initiatives," they nevertheless have the potential to promote responsible business activity.

- A substantial proportion of current instruments were put in place by public bodies relatively recently (within the last three to five years).

- Little research or practical experience is available demonstrating whether instruments effective in one national or regional context can be successfully transferred to another.

- To date, no comprehensive impact assessments or empirical investigations into the effect of CR policies have been performed.

- If CR policies are to be integrated into mainstream policy agendas, tools must be designed to measure the impact and effectiveness of policy instruments promoting CR.

- By performing impact assessment studies and studying policy instruments' transferability, governments could stimulate business sector engagement with the field of corporate responsibility, while building momentum for the design of new policies and innovative forms of governance.

- The present survey of examples by no means exhausts the range of policy options available. Indeed, the content of today's successes—and the gaps evident within and between these—should serve as a call for further innovation by policymakers

Good policy options to foster CR [24]

Country	Instrument	Public agency	Description
Brazil	Regional Workshops: "Talk to enterprises"	Office of the Comptroller General (CGU)	The CGU has recently begun implementing the "Talk to Enterprises" project through its regional branches. CGU officials are tasked with contacting representatives in business, associations and confederations in order to foster the implementation of integrity measures while emphasizing better practices for public sector relations. Twelve states in Brazil are slated to hold pilot workshops in 2010.
Colombia	Green Markets Program (Mercados Verdes)	Ministry of Environment	The Mercados Verdes Program was launched in 2002 as part of the National Strategic Plan for Green Markets (Plan Estratégico Nacional de Mercados Verdes), for an initial period of 10 years. The program is aimed at creating a national green market for sustainable goods by: 1) boosting domestic demand for green products; 2) establishing Colombia as a supplier for green products in international markets; 3) strengthening organizational structures supporting the production of green products; and 4) creating instruments to support the green products sector. It provides incentives for companies at the local, regional and national level. In 2005, the voluntary Colombian Environmental Label (Sello Ambiental Colombiano) for environmentally friendly products was introduced.
Costa Rica	Costa Rican Certification for Sustainable Tourism	Costa Rican National Accreditation Commission	Costa Rica pioneered sustainable tourism certification in Central America in 1997. Costa Rican Certification for Sustainable Tourism (CST) was designed to differentiate tourism-focused firms based on the degree to which they comply with a sustainable model of natural, cultural and social resource management. The CST consists of five levels of sustainable tourism achievement. Participation in the program is entirely voluntary and is open to all hotels in Costa Rica.
Germany	CSR WeltWeit (CSR WorldWide)	Federal Foreign Office	The information portal "CSR WeltWeit—German Business Global Citizen" was created in 2008 by the German Federal Foreign Office and the Bertelsmann Stiftung, in cooperation with partners from the public sector (four ministries) and business sector (three business associations). The project's goal is to promote corporate responsibility among German companies investing abroad and to highlight good examples of CR activities.
United Kingdom	Toolkit, guide and virtual map promoting human rights	U.K. Foreign and Commonwealth Office; Department for Business, Innovation and Skills	The U.K. government has developed three tools to promote the protection of human rights in the course of business activities. A first is designed to help overseas representatives raise awareness of how business operations can impact human rights. The latter two, both developed by the Ministry of Justice, include a guide for businesses on what human rights mean within the U.K. context, and a map depicting the roles and responsibilities of different organizations in the business and human rights arena.

Country	Instrument	Public agency	Description
Thailand	Working group on CSR	Several ministries	In 2007, a working group was established tasked with developing CR policies in Thailand. In 2008, a handbook on CR was created aimed at raising awareness and informing the wider public about this issue. One year later, private actors founded the CSR Club, announcing plans to develop a CSR reporting framework for Thai-listed companies.
Vietnam	CSR Award, footwear and garment industries	Ministry of Industry and Trade, Ministry of Planning and Investment, Ministry of Labor, Invalids and Social Affairs	The Vietnamese government has asked the Vietnamese Chamber of Commerce and Industry to provide CR-related support services to companies. As a starting point of the strategy, Action Aid Vietnam (AAV) initiated the CSR Award in 2005 in conjunction with the Leather and Footwear Association and the Center for Development and Integration. This award was aimed at increasing Vietnamese companies' competitiveness by providing incentives to integrate CSR standards into business operations. Due to the success of this pilot project, AAV expanded its mandate to the garment sector. Additional awards designed to promote corporate social responsibility were also subsequently given.

Country	Instrument	Public agency	Description
Brazil	Partnership with the Ethos Institute	Office of the Comptroller General (CGU)	In order to combat and prevent corruption, the CGU has developed a portfolio of actions targeting the private sector. Most of these actions are in partnership with the Ethos Institute for Business and Social Responsibility. The partnership has enabled a set of positive outcomes, such as: the launch of the Business Pact for Integrity and Against Corruption, which is a collective action initiative for companies in Brazil; the creation of the "clean company campaign"; the development of the handbook "Business Social Responsibility in Combating Corruption" (A Responsibilidade Social das Empresas no Combate à Corrupção); the organization of workshops in 10 Brazilian states to promote the content of the handbook; and the organization of the seminar "Overcoming the Culture of Corruption."
China	Round-tables on Social Standards and Corporate Social	Ministry for Economic Cooperation and Development	Since 2004, the German Agency for Technical Cooperation and the Foreign Trade Association of the Retail Trade Industry have jointly convened regular round table meetings on social standards. These events provide a forum to discuss strategies to improve factory working conditions in China-based suppliers serving the German retail market. Various stakeholders participate in these meetings, including public and private actors.

Country	Instrument	Public agency	Description
Denmark	**Base of the Pyramid (BOP) Facility**	**Ministry of Foreign Affairs (Danida)**	Under the BoP Facility, Danida supports partnerships that develop socially responsible innovation and include people living at the base of the income pyramid. The BoP Facility provides assistance during the following three phases: the "Contact Phase," in which the partners are identified or the partnership is consolidated and the initial partnership idea is clarified; the "Study Phase," where the business plan is developed and the local business environment is assessed; and the "Project Phase," in which the partnership activities are implemented.
Sweden	**Globalt Ansvar**	**International Trade Policy Department of the Ministry of Foreign Affairs**	The Globalt Ansvar initiative was launched by the Swedish Prime Minister in 2002. Member companies have to report on their implementation of the principles of the UN Global Compact and the OECD Guidelines for Multinational Companies. Among the goals of the initiative is the promotion of human rights and sustainable development, but strengthening Swedish companies' competitiveness is also a focus. The partnership is unique in its manner of practical implementation of the UN Global Compact and the OECD Guidelines at the national level.
Egypt/ Mena Region	**MENA Responsible Business Forum**	**Egyptian Institute of Directors (EIoD)**	The MENA Responsible Business Forum was launched in Cairo in October 2008 as an initiative of the MENA-OECD Investment Program. The group's aim is to help governments in the region, in cooperation with business and civil society organizations, to create a climate maximizing investors' ability to contribute to sustainable economic and social development. The Forum will pursue this aim by promoting cooperation and partnerships, providing a framework for sharing best practices, and by facilitating the development of tools and guidelines relevant to the MENA region that can assist governments and businesses in CR activities.
Germany	**Common Code for the Coffee Community (4C)**	**Ministry for Economic Cooperation and Development**	With support from the Federal Ministry for Economic Cooperation and Development (BMZ), the German Agency for Technical Cooperation (GTZ) initiated the Common Code for the Coffee Community in collaboration with the German Coffee Association (2002 – 2010). The aim of this public-private partnership is to improve the social and ecological conditions prevailing in coffee production through the introduction of standards and the provision of training on their application. On the German side, coffee roasters join and comply with the provisions of the code.
Malawi	**Business Action Against Corruption**	**Ministry of Trade and Private Sector Development, among others**	With leadership from the private sector, a cross-societal coalition called the Malawi Leaders Forum, with representatives drawn from government, private business, civil society, donor agencies and the media, launched in Malawi the Business Action Against Corruption program, a project of the Business Action for Africa network. This action plan is aimed at addressing corruption in the public and private sector, and is inspired by the 10th principle of the UN Global Compact. The Leaders Forum was created in 2005.

Country	Instrument	Public agency	Description
Mozam- bique	Projecto Um Olhar de Esperanca (Look of Hope Project)	Ministry of Education and Culture	The Look of Hope project is part of a ministry campaign to improve primary and secondary education quality by widening access, improving the learning-teaching process and expanding institutional capacity at the local level. Founded in 2000, the project supports school construction and purchases of basic school materials. The private sector contributes by financing equipment and training materials, and has identified areas to help MEC extend educational opportunities to more children.
Nigeria	Business Action Against Corruption	Convention on Business Integrity	In 2005, the Business Action Against Corruption governance program, a project of the Business Action for Africa network, was initiated with the support of the Southern African Forum Against Corruption. It was extended into West Africa with its subsequent launch in Nigeria. The program assists national actors in working together by building new partnerships between government and business, and by removing opportunities for corruption. It is implemented by the Convention on Business Integrity, a Nigerian initiative established in 1996 to promote a peer-based accreditation system for the private sector.
United States	Strategic Partnership Program, Occupational Safety and Health Administration (OSHA)	United States Department of Labor	The OSHA Strategic Partnership Program (2002) provides opportunities for the Occupational Safety and Health Administration to partner with employees, employers, professionals, and trade or labor associations. The aim of these partnerships is to encourage efforts to prevent serious workplace hazards and to achieve model workplace safety and health practices. Partnerships are available to all private sector industries and government agencies in regions where OSHA has jurisdiction.

Country	Instrument	Public agency	Description
Brazil	Certificate of Independent Bid Determination	Ministry of Planning (among others)	In accordance with regulations established by the Ministry of Planning, potential bidders are required to submit the "Certificate of Independent Bid Determination." The certificate must clearly state that the bidder prepared the respective proposal independently, and that it did not discuss the proposal with any other potential bidders. The administrative rule reflects the convergence between anti-fraud efforts in public procurement and the defense of competition.

Country	Instrument	Public agency	Description
Egypt	Corporate Governance Codex	Ministry of Education and Culture	In 2005, the Egyptian Institute of Directors (EIoD) developed a Code of Corporate Governance targeting Egypt's listed companies and state-owned enterprises. A presidential decree stated that EIoD is responsible for training companies on the implementation of the code's provisions, and for promoting the code's principles.
United Kingdom	Sustainable Public Procurement	Department for Environment, Food and Rural Affairs; HM Treasury	In its Sustainable Development Strategy, the U.K. government set a goal of being a sustainable procurement leader in the European Union by 2009. A Sustainable Procurement Task Force produced a June 2006 road map on achieving this aim. This "Procuring the Future" action plan detailed a step-by-step evolution toward sustainable procurement, identifying general governmental actions needed to reach these goals (e.g., leading by example, setting clear priorities, raising the bar, building capacity, removing barriers, and capturing opportunities). In practical terms, this has meant more efficient expenditure of public funds, and a reduction of the government's procurement footprint in key environmental areas.
Sweden	Export Credit Boards	Export Credits Guarantees Board	Export credits are seen by the Swedish government as important instruments in promoting CR. Since 2008, the Export Credits Guarantees Board (EKN) has considered environmental and social criteria in its decisions. In addition, the EKN has a zero-tolerance policy for corruption, seeks to promote sustainable lending to poor countries, and encourages all companies to commit to the UN Global Compact principles and the OECD Guidelines on Multinational Companies. EKN provides its customers with information on Globalt Ansvar and the Swedish Global Responsibility Initiative.
India	Affirmative action in India's industrial sector	Mainly Ministry of Commerce and Industry	In 2006, a coordination committee created to promote affirmative action in India's industrial sector began developing a code of conduct on the issue of affirmative action. Relevant government ministries, the presidents of the Confederation of Indian Industry, the Associated Chambers of Commerce and Industry of India, and the Federation of Indian Chambers of Commerce and Industry, as well as other senior representatives of industry, have all taken part in this initiative. An ombudsman with regional branches will be established to monitor compliance with the voluntary code. An additional agreement was aimed at intensifying training and education efforts targeted toward people falling into the Scheduled Caste and Scheduled Tribe groups. Many companies are applying the codes and have drawn up an affirmative action agenda.
India	Voluntary Guidelines on CSR	Ministry of Corporate Affairs	In 2009, India's Ministry of Corporate Affairs released a set of CSR guidelines aimed at promoting businesses' contribution to the well-being of stakeholders and society. The aim is to persuade business leaders to integrate CSR activities into company policies and business goals. The guidelines set out six core elements for companies to address: respect for all stakeholders; ethical functioning; respect for workers' rights and welfare; respect for human rights; respect for the environment; and activities for social and inclusive development.

Country	Instrument	Public agency	Description
France	Mandatory sustainability reporting	French Parliament	Under a 2001 law on economic regulation, French companies listed on the stock exchange have to provide social and environmental information in their annual reports. A 2002 decree established specific quality and quantity criteria for these reports. The objective is to encourage companies to establish the tools necessary to measure the social and environmental impact of their activities in a strategic way. Criteria include issues such as human resources, community issues and engagement, labor standards, and health, safety and environmental conditions.
India	Obligations of Insurers to Rural or Social Sector	Insurance Regulatory and Development Authority	India was one of the first countries in the world to oblige its insurance companies to do twenty percent of their business in rural areas and the "social sector," which is also known as the informal sector and economically vulnerable classes in both rural and urban areas. This regulation triggered the development of microinsurance products that are vital in combating poverty. The market is estimated to comprise anywhere from 140 to 300 million policies in India. By 2006, around 30 million Indians had signed up for a life insurance.
Norway	Government Pension Fund	Ministry of Finance	The purpose of the pension fund, established in 2006, is to facilitate government savings necessary to meet the rapid rise in public pension expenditures expected in the coming years. Ethical guidelines were established with a view toward achieving high returns that will enable coming generations to benefit from the country's petroleum wealth. Guidelines also require that the fundamental rights of those affected by companies in which the fund invests should be respected. This goal is promoted through the exercise of ownership rights and the exclusion of companies from the fund's investment portfolio.
South Africa	Black Economic Empowerment (BEE)	Department of Trade and Industry	The Black Economic Empowerment (BEE) policy is designed to advance economic transformation and participation rates among the country's black population. BEE combines semi-mandatory and voluntary measures with incentive-based structures. The BEE Act of 2003 facilitates the work of the Department of Trade and Industry by establishing a legal framework which aims at increasing participation and equitable access for all people. In 2007, the Codes of Good Practice emerged as a BEE policy implementation framework; these are binding for all public institutions when making economic decisions on procurement, licensing or public-private partnerships, among other activities. The newest release of the codes is also known as Broad-Based Black Economic Empowerment, and covers fields such as ownership and employment equity, among others.

Chapter 4
Innovative Examples of Public Policy for CR

This chapter showcases five innovative examples of governments that have successfully developed, supported or implemented CR public policies in various action areas. In most of the cases presented here, governments play a partnering and facilitating role in establishing good framework conditions for CR and supporting responsible business activities.

The examples show that CR cannot supplant a government's legal commitments in terms of setting and supervising social and ecological standards. On the contrary, they show that CR, when voluntary in nature and adapted to a national context, can serve as an effective complement to legal standards and even exceed the goals of compliance.

The five innovative examples are as follows:
- Botswana – The African Comprehensive HIV/AIDS Partnerships
- China – CSR Guidelines for State-owned Enterprises
- Denmark – National Action Plan for Corporate Social Responsibility
- Germany – Public Private Partnership Program
- Mexico – The National Environmental Audit Program

The following criteria were used in the selection process:
- The activity is voluntary and an effective complement to state regulations.
- The activity demonstrates public sector innovation in and commitment to fostering responsible business behavior with respect to social and/or ecological issues relevant to a given country.

- The activity draws on a government's earlier efforts in the field and responds to the national context.
- The activity allows the governments to adopt different types of policy interventions.
- The activity involves stakeholders or is based on a partnership.
- The activity is integrated into a national strategy and/or relies on stable administrative structures.
- The activity holds strong potential for generating substantial social and/or ecological change.
- The activity demonstrates sound practices and offers useful lessons learned for other governments facing similar problems or challenges.

Most innovative CR policy instruments are backed by governments that act as partners and facilitators in establishing good framework conditions for responsible business.

Botswana – The African Comprehensive HIV/AIDS Partnerships (ACHAP)

The African Comprehensive HIV/AIDS Partnerships is a tripartite partnership successfully targeting the HIV/AIDS epidemic in Botswana. Fully integrated into Botswana's National Strategic Framework for HIV/AIDS, ACHAP has helped the government achieve its national goals. ACHAP involves various stakeholders in local communities and NGOs, academic and development institutions, and at all administrative levels of government. In so doing, it relies on stable structures and can therefore create lasting and sustainable outcomes. Proving effective in combating HIV/AIDS, ACHAP serves as a good model for other governments. In 2005, a similar public private partnership was established in China.

Public agency:
Government of Botswana

Partners
Merck & Co, Inc.,/The Merck Foundation and the Bill & Melinda Gates Foundation

Public sector role
Within the framework of ACHAP, the government of Botswana takes on several partnering roles—ranging from that of moderator to facilitator—in combining the expertise, competencies and resources of the Botswana public sector with those of the Merck Company and the Bill and Melinda Gates Foundation.

Evolution
The African Comprehensive HIV/AIDS Partnerships (ACHAP) was established in 2000 as a highly collaborative, five-year public-private partnership between the government of Botswana, the drug company Merck (and its foundation), and the Bill & Melinda Gates Foundation. Drawing on its experiences with other philanthropic projects involving access to medicines, Merck was the driving force in initiating this new development partnership. Convinced that private actors can contribute significantly more than mere financial assis-

tance, Merck drafted a comprehensive project addressing various aspects of HIV/AIDS. In order to enlarge the scope of the partnership, Merck approached the Gates Foundation for additional funding. The new partners Merck and Gates then contributed $50 million each and established ACHAP in 2000 in collaboration with the government of Botswana. Since its inception, ACHAP has involved all actors relevant to attempts to reduce HIVI/AIDs infection rates and improve treatment by engaging rigorously with development partners, the private sector and civil society. In 2003, ACHAP supported the development of a National Strategic Framework for HIV/AIDS in Botswana for the period 2003–2009. An implementation framework for ACHAP's second phase (2009–2012) was developed in July 2009.

Objectives
The overarching goal of ACHAP is to reduce the spread of HIV/AIDS and to mitigate the impact of the infection in Botswana by developing and implementing a comprehensive national strategy.

The partnership pursues six objectives in particular: [25]
- Scaling-up HIV prevention;
- Increasing HIV/AIDS treatment services;
- Expanding HIV counseling and testing capacities, including post-test services;
- Advocating and empowering communities and people living with HIV/AIDS;
- Improving ACHAP's institutional capacity;
- Strengthening partnerships and capacity-building aimed at combating HIV/AIDS in Botswana.

Achievements
ACHAP has successfully developed strategies to fight the spread of HIV/AIDS, such as the National Condom Management Strategy, Blood Safety and Youth HIV Prevention Programs and the Behavior Change Communication Campaign, which is a multimedia campaign addressing the risks of multiple concurrent sexual partnerships. Since 2007, the partnership has targeted the co-infection of HIV and tuberculosis (TB) in Botswana, where the two diseases are highly correlated

(60% – 85% of those infected with TB are also HIV positive). Further ACHAP contributions have included providing financial and technical assistance to the government of Botswana in implementing the National Plan for Scaling-up HIV Prevention in 2008. [26]

Outcomes
This development partnership has yielded remarkable results. These include: [27]

- Helping to reduce the prevalence rates of HIV infection from 38.5 percent to approximately 25 percent by 2008.
- Improving HIV/AIDS treatment services by working to increase the percentage of persons living with HIV/AIDS who receive Antiretroviral Therapy (ART) from 5 percent (2000) to 84 percent (2009). Today, more people in Botswana have access to ART treatment than people in any other sub-Saharan country. Botswana is also the only country providing free treatment for all. [28] By 2009, the ART compliance rate reached 90 percent and is currently among the highest in the world. Thanks to these gains made, Botswana has been able to halve the mortality rate of HIV/AIDS-infected adults, reduce mother-to-child transmission rates, and diminish the rate of new infections among children by 80 percent in the past years.
- Significantly enhancing counseling and testing services in Botswana by making them a part of normal medical care. By 2008, more than 700,000 tests had been performed through HIV routine testing.
- Building institutional capacities in the health care sector. Thanks to ACHAP's efforts, by 2009, 35 infectious disease clinics had been built and more than 7,000 health workers had received HIV/AIDS clinical care training. The laboratory capacity of Botswana's clinics have also been improved to allow more than 20,000 patients per year to be tested. Within the framework of the partnership's preceptorship program (2002–2006), ACHAP worked with Harvard University and the Botswana Ministry of Health to provide clinical care training for health care workers. Under this program, 3,200 physicians, nurses and other health care professionals received clinic-based training conducted by international HIV/AIDS experts. This program has since been incorporated into the government's ongoing national clinical training program.
- Ensuring that the partnership adequately meet the needs of Botswanians by incorporating cultural issues into ACHAP's work. Since 2004, responsibility for the ACHAP office has been delegated to local experts with longstanding experience in both medicine and administration. [29]

Further Information
http://www.achap.org
http://www.merck.com
http://www.gatesfoundation.org

China – CSR Guidelines for State-owned Enterprises

China's CSR Guidelines for State-owned Enterprises (SOEs) serve as an effective complement to state regulation. Their potency lies in the voluntary nature of compliance, which is driven by the desire to promote harmonious development in China. Indeed, linking economic profit with sustainable development is believed to enhance a company's reputation and therefore its competitiveness. The guidelines therefore carry the potential to usher in substantive social, environmental and economic change. Moreover, they have been the product of an extensive consultation process that involved all key stakeholders. Since their inception, the guidelines have served also to model CR implementation for private companies interested in improving their social and environmental footprint.

Public agency
The State-owned Assets Supervision and Administration Commission of the State Council (SASAC) is the sole architect of the guidelines.

Public sector role
Although the guidelines are clearly top-down in character, compliance is not mandatory.

Instead, the government aims to facilitate behavioral change within SOEs by raising awareness about the benefits of CR. The guidelines thus promote long-term rather than short-term thinking and underscore the integration of environmental and social concerns into business operations.

Evolution

Since China's accession to the World Trade Organization in 2001 and the introduction in 2002 of President Hu Jintao's "go global" strategy for Chinese companies, CR has become an increasingly relevant issue throughout the country. There are some CR-related laws in place, such as the new Corporate Law (2006) and the Labour Contract Law (2008). Soft forms of CR policies have also evolved since 2001, such as the Code of Corporate Governance for Listed Companies in China, which has been issued by the China Securities Regulatory Commission, and the State Economic and Trade Commission, the Taida Environmental Index of the Shenzhen Stock Exchange, and the Green Banking Award. In 2006, China released its first domestic management system for the clothing industry (CSC9000T), which was updated in 2008. The two largest Chinese stock exchanges, the Shenzhen Stock Exchange (2006) and the Shanghai Stock Exchange (2008), also issued CSR guidelines and information disclosure guidelines, respectively. Another effort to foster CR involved the Shanghai Stock Exchange initiating the Social Contribution Value per Share Index, which measures social and environmental aspects of business operations as an alternative to the shareholder value index. Reflecting the growth of CR in China, Beijing hosted the International CSR Forum in 2008.

SASAC's launch in 2008 of CSR Guidelines for SOEs represents China's most important development in CR. By taking this step, the State Council, which ultimately owns most Chinese SOE assets, has sent a strong signal of support for CR in China. Issuing the guidelines as recommendations, the State Council encourages Chinese companies to promote a "harmonious society" in China by balancing economic profit with sustainability and development.

According to these guidelines, companies must integrate corporate responsibility into their strategies, planning, operations and management structure. It calls upon SOEs to report on their current activities as well as on planning and future measures to enhance a firm's social responsibility. SASAC has also proposed that further instruments be implemented, which include the creation of special departments dealing with CR issues within SOEs, the engagement with international organizations to promote sharing of experiences, and the initiation of stakeholder dialogues.

In addition to the guidelines on SOEs, other guideline documents have been issued, such as the Guidelines for Foreign Invested Companies (2008), the PRC Textile and Apparel Industrial CSR Reporting Guidelines (2008), and the Guidelines for Financial Institutions (2009).

Objectives

The objectives of the CSR Guidelines for SOEs are to: [30]

- Promote a "harmonious society" as a central pillar of Chinese sustainability;
- Ensure legal compliance;
- Halt the inefficient extraction of natural resources;
- Attain energy security and to continue economic development;
- Improve the quality of products and service standards;
- Eradicate corruption, protect the environment and employee rights;
- Foster a positive international image of China and Chinese SOEs as a means of increasing their competitiveness.

Achievements

Within one year after the guidelines were released, noticeable initial progress has been made.

- In September 2009, SASAC issued its first annual review, the SASAC 2008 Review. SASAC was thus the first government department of the State Council who issued a social responsibility report publically. [31]
- By 2009, 35 central SOEs had issued CR reports. Sinosteel Corporation issued its

sustainability report in Africa, and China National Petroleum Corporation (CNPC) issued its CR reports for Kazakhstan and Sudan. China Mobile was also listed on the Dow Jones Sustainability Index for the second consecutive year. [32]

Although CR reporting alone will not necessarily yield a positive societal impact, SOEs' attempts to increase transparency signals are an important achievement.

Outcomes

Since the guidelines have been introduced, some SOEs have also built institutional structures for CR and have incorporated CR into their business operations.

- CR departments and structures: By 2009, 50 enterprises had set up CR committees and some now have a department in charge of CR.
- Management system: By 2009, 54 enterprises had integrated CR into their management systems.
- Risk management system: Some enterprises, like China Ocean Shipping Company (COSCO), State Grid and China Mobile, have set up Risk Management Systems. [33]

As the most frequently quoted CR document in China and a strong signal of government support for CR, the guidelines have had a tremendous impact on CR development in the country. Given the large size of SOEs in China, their implementation of CR is sure to set a good example for all other enterprises there. Moreover, as a result of the guidelines' success, the Chinese government is now considering the development of CR practices for non-state-owned companies.

Further Information

http://www.gov.cn
http://www.sasac.gov.cn
http://www.chinacsrproject.org
http://www.csr-china.net

Denmark – National Action Plan for Corporate Social Responsibility

With the launch of its Action Plan on CSR, Denmark became one of the earliest countries to successfully implement a comprehensive national CR strategy. The plan draws from a broad portfolio of CR tools, ranging from legislation on CR reporting to voluntary instruments with a multi-stakeholder character. By taking local and global issues into account, the plan fosters a uniquely Danish approach to CR that both guarantees competitive advantages for Danish companies and contributes to responsible growth on the international level.

Public agency

Danish Ministry of Economic and Business Affairs

Partners

Confederation of Danish Industries; Danish Commerce and Companies Agency (DCCA); Danish Institute for Human Rights; representatives from business, NGOs, trade unions, academia, consumer groups and additional ministries.

Public sector role

The Danish Government's Action Plan for CSR is comprised of mandating, soft law, partnering and awareness-raising instruments aimed at fostering CR measures within Denmark's private sector. The Danish Government has adopted a law making it mandatory for roughly 1,100 of the largest Danish companies to report their CR activities. The government also uses soft-law instruments to endorse universal principles such as the UN Global Compact. Partnering instruments tap the expertise of the private sector, NGOs, academia and the public through a process of consultation. Awareness-raising efforts focus mainly on promoting the idea of CR among small and medium-sized enterprises (SMEs).

Evolution

Denmark has long been at the forefront of CR promotion, with numerous innovative

approaches to the topic. In 1994, the Danish Ministry of Social Affairs launched a campaign called "Our Common Interest – The Social Responsibility of Business," which was aimed at raising Danish companies' awareness of the concept of CR. In 1995, the government passed the so-called Green Accounts Act, a law establishing mandatory reporting of environmental issues. The following year, the Ministry of Social Affairs created the National Network of Business Leaders to serve as an advisory body on issues of corporate responsibility and social inclusion. In 1998, the Ministry of Social Affairs set up the Copenhagen Centre, which conducts research on social partnerships and international aspects of corporate responsibility. In 2007, the Copenhagen Centre merged with the CSR unit in the Danish Commerce and Companies Agency to form the new Danish Government Centre for CSR.

In 2002, the Danish government adopted the National Strategy for Sustainable Development, developed through a multi-stakeholder process. As part of this process, indicators were designed enabling assessment of the strategy's progress. During Denmark's EU presidency in the second half of 2002, the Government identified CR as a top priority and organized a European conference called "Mainstreaming CSR in Europe: Challenges and Opportunities of a Common Framework."

In 2005, the Danish Commerce and Companies Agency launched a large-scale CR project around the issue of "People and Profit." In the course of this initiative, more than 12,500 managers and employees of Danish SMEs were trained in adopting strategic social responsibility. The project marked a conceptual shift in the Danish Government's approach to CR: Inspired by Harvard Business School's Michael Porter and Mark Kramer, the government adopted the idea of strategic corporate responsibility, in which companies are advised to integrate aspects of social responsibility into their core business and strategic activities. Three years later, on May 14, 2008, the government officially launched its Action Plan for Corporate Social Responsibility.[34] As a na-

tional strategy, the plan aggregates the government's various efforts in promoting corporate responsibility.

Objectives
The overall goal of the Action Plan for Corporate Social Responsibility is to promote CR among small, medium and large Danish companies, thereby enhancing the competitiveness of Danish firms in the globalized economy and assuring responsible growth. It focuses on the 10 principles of the UN Global Compact and the Principles for Responsible Investment (PRI).

The plan contains 30 initiatives within four key areas: [35]
- Encouraging reporting on CR related issues, and providing knowledge and practical guidance based on internationally recognized principles;
- Integrating CR aspects into governmental functions such as public procurement and the activities of state-owned companies;
- Fostering responsible environmental practices in the business sector, by encouraging individual companies to reduce energy consumption and greenhouse gas emissions, and by developing and disseminating global climate solutions;
- Enhancing Denmark's reputation as a leader in responsible growth, with the aim of helping Danish companies reap greater benefits from their work with CR.

Achievements
To date, strides have been made in all four key areas of the Action Plan. Marking a strong step forward, the Danish parliament adopted in 2008 an amendment to the Danish Financial Statements Act (the "Report on Social Responsibility for Large Businesses"). Although corporate responsibility remains voluntary, this rule obliges the 1,100 largest Danish businesses (including investors and state-owned companies), to provide annual reports on their performance in the areas of CR and socially responsible investment (SRI). Companies must report on their policies, the translation of policies into practice and provide an evaluation of achievements. Companies that

have not adopted CR- or SRI-related policies must explicitly declare this fact in the annual report.[36]

Marking another step forward, the Social Responsibility Council, which acts as an advisory body to the government on CR-related issues, was established in 2009. This group includes representatives from the business sector, the investment community, trade unions, NGOs, consumer groups and academia.[37]

In a third achievement, the government has developed several online tools, including:[38]

- The "Ideas Compass," which encourages SMEs to create corporate social innovations
- The "CSR Compass," which gives practical guidance on responsible supply chain management;
- The "Climate Compass," which supports companies in reducing their carbon emissions; and
- The "Global Compact Self-Assessment Tool," which helps companies to implement the 10 principles of the UN Global Compact. This tool will be launched at the UN Global Compact Leaders Summit in June 2010.

Outcomes

A comprehensive analysis of the Danish Government's accomplishments related to its Action Plan is to be conducted in 2012.

Nevertheless, two years after its launch, the plan can already demonstrate some meaningful results:

For example, the number of companies endorsing the UN Global Compact has more than tripled between 2008 and 2010, to a total of 167. The number of investors who have signed the PRI has increased almost fivefold, from four investors in 2008 to 19 today.

In addition, the Danish Commerce and Companies Agency has conducted a study of Danish companies' compliance with the law regarding CR reporting.[39] The study is based on an analysis of 10 percent of randomly selected annual reports covered by the act. The findings are as follows:

- Approximately 95 percent of the companies examined account for their work with CR. This means that only 5 percent do not comply with the reporting requirement.
- Slightly more than 40 percent of the companies accounting for CR indicate that they have not previously reported on CR.
- Among the reporting companies, roughly 70 percent report on their policies, roughly 60 percent report on their actions, and slightly less than 40 percent report on obtained results.
- Roughly 80 percent of reporting companies place the CR report in the management review of the annual report, roughly 10 percent prepare a separate CR report, and slightly less than 20 percent refer to reporting on their website.
- The most frequently reported topics include "environment and climate" and "social issues at Danish workplaces." Reports on "human rights," "labor standards" and "anti-corruption" are less frequent.
- Approximately 1/3 of the companies apply indicators, however only some 10 percent of these companies apply the indicators of the Global Reporting Initiative.
- Slightly more than 10 percent of the reporting companies indicate in their report that they have joined or plan to join the UN Global Compact or the UN Principles for Responsible Investment (PRI) in 2009.
- Slightly less than 30 percent apply international principles—using primarily the UN Global Compact—as inspiration for their reporting.

It is worth noting that a substantial number of companies have started reporting on CR after the implementation of the act and that only a small percentage have choosen to report that they do not work with CR. However, as the results indicate, a fair number of companies do not report on all three dimensions stated in the act. It is important to bear in mind, though, that this year (2010) is the first year of mandatory reporting and that working systematically with—and reporting on—CR is a long and ongoing process for many compa-

nies. Therefore, it may not be surprising that several companies have not yet adopted a policy and achieved measurable results from their CR work. The Danish government will provide support to companies with the aim of strengthening their ability to report in accordance with the act.

Germany – Public-Private Partnership Program (develoPPP.de)

The Public-Private Partnership (PPP) Program of the Federal Ministry for Economic Cooperation and Development has proven to be an successful tool for launching partnerships with the private sector in numerous countries and across various issue areas. It promotes innovative approaches developed by business as well as partnerships in specific thematic areas such as education, energy and water. These PPPs effectively foster responsible business behavior and create benefits for private and public actors alike.

Public agency
Federal Ministry for Economic Cooperation and Development (BMZ); a variety of German development organizations (some federally controlled) implement the PPPs on behalf of the BMZ.

Partners
More than 3,000 companies around the world.

Public sector role
The Federal Ministry for Economic Cooperation and Development (BMZ) developed its partnership instrument with the aim of more effectively addressing development issues in collaboration with German and European

businesses. Funding is provided by BMZ, while German development organizations are tasked with program implementation. Implementation activities include the provision of technical and logistical support to companies in the form of capacity building and knowledge transfer, among other examples. Companies are also provided with information on and contact details for relevant government agencies in partner countries.

Evolution
The German Federal Ministry for Economic Cooperation and Development (BMZ) launched its Public-Private Partnership (PPP) Program in 1999. From the BMZ's point of view, PPPs create mutual benefits for the private and public sectors by linking business activities with development policy goals. Companies benefit from stable political conditions, legal certainty, and the rising skill levels of employees in developing countries, while development agencies gain access to financial resources, expertise and know-how that can be applied to development challenges. Collaborative approaches can contribute to the establishment of a well-performing economy, a key to sustainable development.

In 2009, the PPP program was reorganized and is now called develoPPP.de. DeveloPPP.de consists of three components: DeveloPPP.topic, DeveloPPP.innovation and DeveloPPP.alliance.

DeveloPPP.topic and DeveloPPP.innovation are both idea competitions held for European businesses interested in working alongside German development agencies. Projects within these two categories are implemented by the German Agency for Technical Cooperation (GTZ), the German Investment and Development Company (DEG) and by sequa, a non-profit company focused on development issues. DeveloPPP.alliance, the third component of this program, is executed by GTZ and DEG and promotes projects with a transnational scope and numerous partners.

Projects within the develoPPP.de program (with the exception of strategic alliances) typically receive public support of up to €193,000.

The PPPs within develoPPP.de are jointly planned, financed and realized by companies and the German development agencies. BMZ's development partnerships explicitly exclude purely charitable projects and projects aimed at subsidizing companies' business activities. Companies must bear at least 50 percent of the costs of partnerships. Since its inception in 1999, this public-private partnership program has become an integral component of Germany's bilateral development cooperation activities.

Objectives

The overall aim of the PPP program is to achieve the United Nations' Millennium Development Goals by strengthening cooperation between the private sector and official development agencies. The objectives of the public-private partnerships therefore vary widely depending on the problem to be addressed. Through PPPs, BMZ is able to mobilize resources from the private sector, harness businesses' managerial expertise, ensure efficient delivery of services and promote private-sector investment in local development projects.

The targets of the three components of develoPPP.de are as follows: [40]

- DeveloPPP.topic aims to involve private enterprises in sectors where a particular need for action exists.
- DeveloPPP.innovation aims to promote highly innovative approaches by business that address development issues in all thematic areas.
- DeveloPPP.alliance initiates high-impact projects that involve numerous partners from both the public and private sectors (including industry, commerce and non-governmental organizations, among others).

Achievements

Since its inception in 1999, BMZ's PPP program has fostered nearly 3,000 public-private partnerships in more than 70 countries, ranging across education, agriculture, energy, environment, health and other issues. Most partnerships have been implemented in Asia and Africa. The new develoPPP.de program builds on this positive record of achievement.

Outcomes

To date, no comprehensive review of the program has been conducted. However, an evaluation of 43 individual PPP projects was performed in 2009. This evaluation, the largest structured review of PPPs thus far, was aimed at assessing the impact and sustainability of public-private partnerships two to five years after each project's termination. The impact assessment covered topics including employee qualifications, technology transfer and influence on the national policy framework, among others. Almost 80 percent of the PPPs reviewed were evaluated as successful or very successful. The majority of partnerships investigated not only reached their overall goals but also had structural impacts on the partner country's political environment. [41]

Further Information
http://www.bmz.de
http://www.developpp.de
http://www.gtz.de
http://www.deginvest.de/
http://www.sequa.de

Mexico – The National Environmental Audit Program (PNAA)

Mexico's National Environmental Audit Program (PNAA) offers a unique example of a cross-sector environmental audit framework. Voluntary in character, it successfully complements previous regulatory initiatives launched by the Mexican government. By encouraging companies to take greater responsibility for their own activities, the program has proven to be an innovative instrument for improving overall environmental performance.

Public agency

Federal Attorney of Environmental Protection (Procuraduría Federal de Protección al Ambiente, PROFEPA), a subsidiary body to the Ministry of Environment and National Resources.

Partners

Partners include 85 accredited external auditors and—since 2002—the Mexican Accreditation Body (Entitad Mexicana de Acreditación), a non-governmental accreditation institution.

Public sector role

PROFEPA's National Environmental Audit Program is a soft-law instrument with partnering and awareness-raising elements, which aims at improving companies' environmental performance on a voluntary basis. Within this program, PROFEPA collaborates with individual companies to set targets and develop tailored plans for improving environmental performance. PROFEPA awards companies that implement these plans an environmental certificate designed to raise public awareness of the participating firm's environmental activities.

Evolution

In 1992, the Mexican government established PROFEPA largely as a result of two factors. First, explosions in the sewers of Guadalajara injured or killed thousands of people, prompting popular outrage. Second, the North American Free Trade Agreement (NAFTA) brought extensive pressure to bear on the Mexican government to improve environmental enforcement, lest the country become a "pollution haven." PROFEPA was established with the power to conduct environmental inspections in companies, to impose penalties on firms not complying with environmental standards, and even to close "dirty" facilities.

As a voluntary complement to PROFEPA's system of penalties and obligatory environmental inspections, PROFEPA launched its National Environmental Audit Program, also known as the Clean Industry Program (Industria Limpia). PNAA is a voluntary environmental audit and certification program, initially (between 1992 and 2000) aimed at industrial facilities with histories of substantial pollution, but restructured in 2000 to include other types of companies as well.
The PNAA consists of the three following phases:

- Pre-audit: Once a company signals its interest in participating, a certified third party conducts an external audit of the firm's environmental activities.
- Execution: PROFEPA and the company in question develop an action plan with quantifiable targets aimed at improving environmental performance.
- Post-audit: When the company agrees to adhere to the action plan, it is officially admitted into the program.

Companies that deviate from targets contained in these action plans are removed from the program and returned to the regular inspections list. Those that successfully fulfill an action plan are awarded a Clean Industry certificate by PROFEPA. This certificate is valid for two years, but its duration can be extended for up to four years if the firm is willing to comply with International Organization for Standardization (ISO) norms on environmental protection. To remain a member of the program, companies must hand in quarterly progress reports. Participants that exceed their environmental targets are awarded the status of Environmental Excellence (Excelencia Ambiental).

Objectives

In its first phase (1992 – 2000), the PNAA program was mainly oriented toward the minimization of industrial risks and reducing pollution released by high-emission industries. However, the program's objectives expanded in 2000 to encompass the following, more general goals:

- The creation of a culture of environmental protection among all Mexican industrial companies;
- The creation of incentives for Mexican consumers to buy "clean products"; and
- The creation of a prize for environmentally responsible companies.

Achievements

In the initial phase of the program (1992 – 2000), more than 160 industrial facilities were awarded Clean Industry certificates after fulfilling their action plans. By the year 2000, all of the country's major industry facilities had

become members of the program. Thanks to the program, several innovations have been introduced since 2000, including the commissioning of the Mexican Accreditation Body to conduct the PNAA audits and certification process, and the development of new guidelines and certification schemes for other companies. These included the so-called Quality Environmental Tourism (Calidad Ambiental Turística) and the Environmental Compliance (Cumplimento Ambiental) certificates, which were applied to various companies in the retail, service and automobile sectors. Furthermore, new certificates such as Clean Valley (Cuenca Limpia), Clean Municipality (Municipio Limpio) and Clean Touristic Destination (Destino Turístico Limpio) were launched to address environmental challenges faced by public authorities on the municipal and local levels. As a result of these changes, the number of participating companies almost tripled, reaching 6,714 by 2007. In 2007, a total of 1,175 newcomers joined the program, 565 companies were awarded certificates, and 404 were given extended-length certificates. In 2006, for example, 34 companies were given the environmental excellence award. [42]

Outcomes

According to PROFEPA statistics, outcomes of the National Environmental Audit Program have varied depending on the phase of implementation.

In the first phase (1992 – 2000), member companies were able to improve performance on environmental (pollution and waste reduction), economic (reduced sanctions, increased savings through economic efficiency, promotion of new technologies, etc.) and social (reduced accident rate, better relations with regulatory authorities and neighboring communities) fronts.

In the second phase, underway since 2000, participating companies have gained support in shrinking their environmental footprint through reductions in CO_2 emissions and water wastage. In addition, the majority of companies participating in the PNAA program were able to increase compliance with national environmental legislation, which in turn led to a striking decline in the number of reported irregularities and facility closures between 2000 and 2007. [43]

Further Information
http://www.semarnat.gob.mx
http://www.profepa.gob.mx
http://www.ema.org.mx

Chapter 5: Practical Guidance for Developing a CR Policy Framework

Local history, as well as political, economic and cultural conditions, shape profoundly the design of a CR policy framework.

The design of a framework for cross-sectoral cooperation and corporate responsibility cannot take a one-size-fits-all approach. On the contrary, the development of a national CR policy framework is necessarily influenced by a variety of factors, such as relevant political and economic conditions, the way in which CR is locally understood and defined, and the types of policy interventions to be implemented. Rather than simply applying models proven successful elsewhere, public sector bodies must identify priorities meaningful to each specific target country, adopt adequate instruments that build on existing initiatives and capacities, and supervise implementation by involving relevant public agencies and external stakeholders. The overarching intent behind public-sector CR activities is to integrate long-term thinking and sustainable solutions into core business processes, and to improve environmental and social conditions in society.

The following six-step model provides governments a compass that is useful in designing a comprehensive and coherent policy framework for corporate responsibility. It is based on experiences and good practices in countries in both the north and south.

Step 1: Understanding the CR-relevant context

Corporate responsibility is a context-dependent concept. Policy in this area should take into account context-related aspects that are deemed relevant. Local history, political systems, economic trends and cultural traditions will profoundly shape the society of any country in which CR activities are taking place. As a result, the reasons spurring governments to strengthen CR and the steps taken to apply the concept will vary.

Looking both at developed and developing countries, potentially relevant contextual factors are listed below.

Economic factors:
- Level of integration with the global economy (e.g., export/import balances and quotas, reputation of domestic private sector abroad);
- Development of the economic system (e.g., type of economic policy, degree of privatization);
- Characteristics of the private sector (e.g., diversity of sectors, relative strength of informal/formal sectors).

Political factors:
- Level of integration at the international political level (e.g., influence of external stakeholders);
- Government capacity (e.g., capacities to implement policies and monitor compliance, level of corruption, type and stability of political system, willingness to cooperate with private actors).

Societal factors:

- Social cohesion and problems (e.g., gender, caste-, race- or class-related problems, poverty or labor-related challenges);
- Environmental challenges (e.g., high level of negative environmental externalities in the private sector);
- Exchange between societal actors (e.g., ability and openness to negotiate conflicts and find shared solutions to societal challenges, participation of interest groups such as NGOs, etc.);
- Capacity for change (e.g., importance of ethical norms and traditions, willingness to reform).

In addition to these factors, action areas can be identified that are likely to shape future public policy agendas, including corporate governance, community involvement and development, responsible consumption, reporting and disclosure and responsible production. For a detailed description of these action areas, see Chapter 2, pp 18–21.

Step 2: Defining CR

Understanding the relevant contextual factors is a necessary precondition to finding a locally appropriate definition for corporate responsibility. The development of CR from a mere business consideration to a governance approach aimed at integrating business into the solution of complex societal problems is a relatively recent phenomenon, having largely taken place within the last 10 years. Unsurprisingly, no general policy concept of CR exists. Governments should therefore clearly define their understanding of the term CR before embedding the issue within administrative structures.

The following general principles can serve as a good starting-point in developing a locally appropriate definition of CR:

- Corporate responsibility is rooted in voluntary corporate action (though some countries have adopted mandatory instruments).

- CR goes beyond compliance with state regulations (although many countries still face non-compliance with corporate laws due to weak enforcement mechanisms).

- CR is three-dimensional (for more on this, see introduction, pp 9–10) and includes the following components:
  1) Sustainable organization of a company's core business (e.g., management that integrates human rights, labor, environmental and governance factors in its risk assessments and value chains);
  2) Philanthropic and corporate citizenship measures that help to integrate the company into the surrounding society;
  3) Measures aimed at changing overall market conditions (e.g., public-private partnerships, self-regulatory mechanisms).

- CR minimizes the negative externalities of corporate actions for the environment and society, and establishes a coherent level playing field for companies.

- CR is focused on rebalancing responsibilities in society, and on exploring new mechanisms for public-private cooperation.

- CR is an effective complement to, but not a substitute for, state intervention.

Step 3: Situating CR within a government structure

Good CR policy is both about effectively embedding the functions related to public CR policies within public agencies and about strategically involving relevant (internal and external) stakeholders in the design and implementation process.

The following two criteria are thus important to consider:

- CR competency. In order for CR policies to be successful, it is crucial that a clearly defined and visible lead government agency be assigned. This agency will be responsi-

Governments should clearly define their understanding of CR before embedding the issue within administrative structures.

ble for defining the policy's rationale, co-ordinating implementation, and engaging in a monitoring and impact assessment process. The competency can lie within an already existing government function (e.g., in Germany, political responsibility for designing the CR framework lies with the Ministry of Employment and Social Affairs) or can be given to newly created agencies (as in Costa Rica). In any case, experience suggests that it is important that CR activities are driven by a single leading agency that has the mandate and the resources to coordinate the process, and which treats the issue as a cross-cutting, inter-ministerial subject by allowing various public agencies to provide input and expertise.

■ Integration of stakeholders. Since CR is a cross-disciplinary issue, related policy development should draw on the expertise of external stakeholders from the business, NGO, trade union, scientific and academic communities. Engaging a variety of external views can help build a sense of policy ownership both among the target group and the wider public, and allows the government to benefit from these external sources' stores of knowledge. The scope of this involvement can range from occasional stakeholder consultation meetings during the conceptual phase to the establishment of a regular exchange and participation process during the implementation and monitoring stages.

Step 4: Defining the CR public policy rationale

Taking into account the local context, the prevailing understanding of CR's scope and definition, and any government structures designed to support CR, the government may then want to clearly define the rationales designed to support any CR policy framework. These rationales may vary depending on the policy fields and/or societal challenges to be addressed, the characteristics of the local private and civil society sectors, the level of inte-

gration with the global economy, and the development of the target country's economic system. Governments from developing or emerging markets often define rationales aimed at integrating the country into global markets or tackling key challenges such as poverty and child labor.

Frequent CR public policy rationales, both among northern and southern nations, include:

■ Achieving equitable and sustainable growth;
■ Enhancing international competitiveness;
■ Enhancing the local investment climate;
■ Promoting local export-oriented business and increasing acceptance of private sector activities abroad;
■ Responding to pressure from or the influence of external actors;
■ Addressing gaps in government capacity;
■ Tackling key social and environmental challenges;
■ Addressing challenges in socioeconomic development;
■ Creating cross-sectoral synergies to achieve policy goals.

Step 5: Identifying appropriate types of policy intervention for CR

Choosing the appropriate types of policy interventions to foster CR is one of the most challenging tasks for governments designing an enabling policy framework. Policy options should be rendered clearly visible, and consistency with CR-related context factors and rationales must be retained. When implementing policies, governments can build on existing policy frameworks and be inspired by promising examples from other countries as role models.

As explained in Chapter 2, governments can foster CR by using instruments in the fields of awareness-raising, partnering, soft law and mandating.

Governments in developing or emerging markets often aim to integrate the country into global markets or tackle problems such as poverty and child labor.

Step 6: Monitoring and impact assessment

Applying monitoring systems and assessing the impact of policies completes the CR public policy framework. Evaluation is critical in order to ensure the continued commitment of the government and external stakeholders, and to integrate CR policies into the mainstream policy agenda. Thus far, relatively few governments have established CR policy evaluation processes. Nevertheless, it is recommended that governments monitor their policies by setting clearly defined goals for achievements and outcomes, by following a course of follow-up evaluation, and by using the results of any such evaluation to inform strategy updates.

The examples presented in Chapter 4 illustrate how five governments, drawn from the north and south, are already monitoring their achievements and policy outcomes in the following fields:

- Type and scale of activities;
- Number and type of beneficiaries of these activities;
- Diversity of businesses addressed through these activities;
- Number of businesses involved in and/or adopting these activities;
- Integration of activities into national strategies or action plans;
- Transferability of these activities to different local and/or national contexts.

By evaluating policy impact and understanding the transferability of policy instruments, governments can raise the business sector's level of engagement, while building momentum for the design of new policies and other innovative forms of governance.

Evaluation is critical in order to ensure the continued commitment of the government and external stakeholders.

6-step policy process for developing a CR policy framework

Understanding CR-relevant context → Defining corporate responsibility → Situating CR within government structure → Defining CR public policy rationale → Identifying types of policy intervention → Monitoring and impact assessment
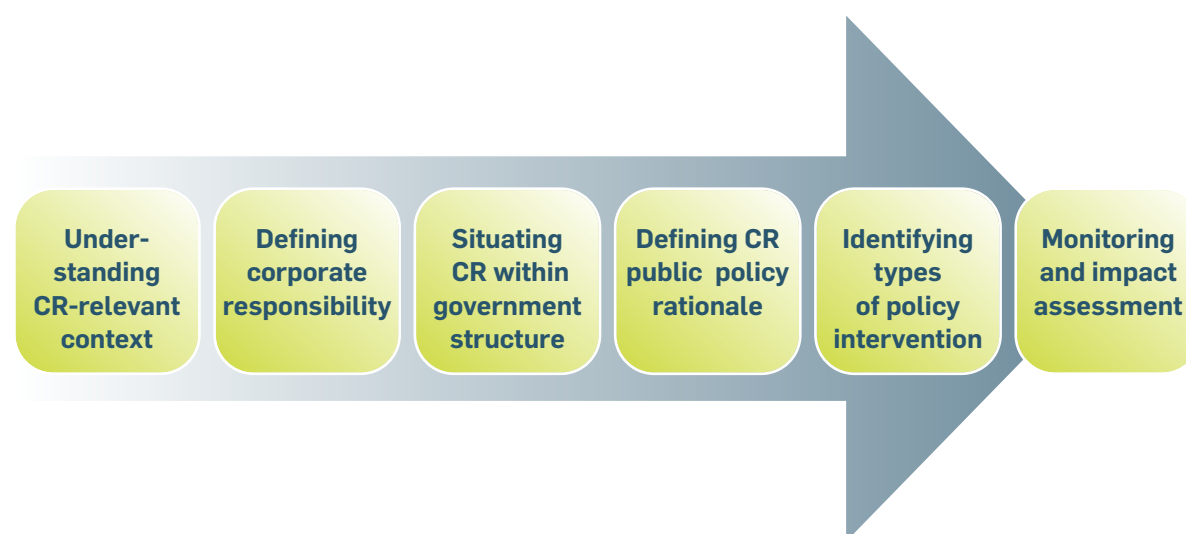
Annex I

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http://www.un.org/esa/sustdev/publications/innovationbriefs/no1.pdf

Annex II

Further information: Good Policy Options to foster CR

Awareness-raising

Brazil: Regional Workshops
"Talk to Enterprises"
http://www.cgu.gov.br/

Colombia: Green Markets Program
(Mercados Verdes)
http://www.minambiente.gov.co/contenido/
contenido.aspx?catID=151&conID=293

Costa Rica: Certification for Sustainable
Tourism in Costa Rica
http://www.turismo-sostenible.co.cr/

Germany: CSR WeltWeit
http://www.csr-weltweit.de

United Kingdom: Toolkit, Guide and Virtual
Map on Promotion of Human Rights
www.fco.gov.uk/resources/en/pdf/3849543/
bus-human-rights-tool.pdf

Thailand: Working Group on CR
http://www.unescap.org/tid/projects/
csr_tuepa2_nataya.pdf

Vietnam: CSR Award Footwear
and Garment Industries
http://vccinews.com/news_detail.asp?news_id=7261

Partnering

Brazil: Partnership with Ethos Institute
http://www.cgu.gov.br/AreaPrevencaoCorrup-
cao/AreasAtuacao/IntegridadeEmpresas/index.
asp

China: Roundtables on Social Standards and
Corporate Social Responsibility
http://www.chinacsrproject.org/CSRRT/
E_index.asp

Denmark: Base of the Pyramid Facility
http://www.um.dk/en/menu/Development
Policy/BusinessCooperation/PublicPrivate
Partnerships/Facilities/BoPFacility/

Sweden: Globalt Ansvar
http://www.sweden.gov.se/sb/d/2657/a/14557

Egypt: MENA Responsible Business Forum
http://www.mena-rbcf.org/en/about

Germany: Common Code for
the Coffee Community (4C)
http://www.gtz.de/en/themen/uebergreifende-
themen/sozial-oekostandards/7388.htm

Malawi: Business Action Against Corruption
http://www.unglobalcompact.org/docs/
news_events/8.1/bfc_web.pdf

Mozambique: Projecto Um Olhar de Esperanca
http://www.pedmoc.virconn.com/index.asp

Nigeria: Business Action Against Corruption
http://www.businessactionforafrica.org/
BusinessActionAgainstCorruption.pdf.pdf

United States: Strategic Partnership
Programs on Occupational Safety
and Health Administration
http://www.osha.gov/dcsp/partnerships/
index.html

Soft Law

Brazil: Certificate of Independent
Bid Determination
https://conlegis.planejamento.gov.br/
conlegis/legislacao/atoNormativoDetalhes-
Pub.htm?id=6979

Egypt: Corporate Governance Codex
http://www.ecgi.org/codes/documents/egypt-
soecodeofcg_en.pdf

United Kingdom: Sustainable
Public Procurement
http://www.defra.gov.uk/sustainable;
http://www.ogc.gov.uk/cesp.asp

Sweden: Export Credit Boards
http://www.ekn.se/templates/Main.aspx?id=22

India: Affirmative Action
in the Indian Industry
http://www.cii.in/Sectors.aspx?enc=prvePUj2bd
MtgTmvPwvisYH+5EnGjyGXO9hLECvTuNuKX-
ixuZyO21wQ3jbOZeVjN

India: Voluntary Guidelines on CSR
http://www.mca.gov.in/Ministry/latestnews/
CSR_Voluntary_Guidelines_24dec2009.pdf

Mandating

France: Mandatory Sustainability Reporting
http://www.sustainabilityreporting.eu/france/
index.htm

India: Obligations of Insurers to Rural
or Social Sector
http://www.indianmba.com/Occasional_Papers/
OP85/op85.html

Norway: Government Pension Fund
http://www.regjeringen.no/en/dep/fin/
Selected-topics/the-government-pension-
fund.html?id=1441

South Africa: Black Economic Empowerment
Programme (BEE)
http://www.dti.gov.za/bee/beehome.htm

Annex III

Links of interest

Alliance for Inclusive Business
http://www.inclusivebusiness.org/

Business & Human Rights Centre
http://www.business-humanrights.org/Links/Repository/965591

Business Fights Poverty
http://businessfightspoverty.ning.com

Business Social Compliance Initiative
http://www.bsci-eu.org/

Business Social Responsibility
http://www.bsr.org/

Environmental Social and Corporate Governance
http://www.environmental-social-and-corpo-rate-governance.com/

Global Reporting Initiative
http://www.globalreporting.org/Home

Growing Inclusive Markets
http://www.growinginclusivemarkets.org/

International Organization for Standardization
http://www.iso.org/iso/home.html

Millennium Development Goals
http://www.un.org/millenniumgoals/

Next Billion
http://www.nextbillion.net/

Organisation for Economic Co-operation and Development
http://www.oecd.org

Principles for Responsible Investment
http://www.unpri.org/

Principles for Responsible Management Education
http://www.unprme.org/

Transparency International
http://www.transparency.org/

UNEP Finance Initiative
http://www.unepfi.org/

United Nations Global Compact
http://www.unglobalcompact.org/AboutTheGC/Government_Support.html

Annex IV

Acronyms

AAV	Action Aid Vietnam
ACHAP	African Comprehensive HIV/AIDS Partnerships Initiative
ART	Antiretroviral Therapy
ASEAN	Association of Southeast Asian Nations
AU	African Union
BEE	Black Economic Empowerment
BMZ	Federal Ministry for Economic Cooperation and Development
BOP	Base of the Pyramid
CGU	Office of the Comptroller General
CNPC	China National Petroleum Corporation
CR	Corporate Responsibility
CSR	Corporate Social Responsibility
CST	Costa Rican Certification for Sustainable Tourism
DCCA	Danish Commerce and Companies Agency
DEG	German Investment and Development Company
EIoD	Egyptian Institute of Directors
EKN	Export Credits Guarantees Board
ESG	Environmental, Social and Governance
EU	European Union
G20	Group of Twenty
GRI	Global Reporting Initiative
GTZ	German Agency for Technical Cooperation
ISO	International Organization for Standardization
LAC	Latin America and the Caribbean
MDGs	Millennium Development Goals
MENA	Middle East and North Africa
MNC	Multinational Company
NAFTA	North American Free Trade Agreement
NCP	National Contact Point
NGO	Non-Governmental Organization
OECD	Organisation for Economic Co-operation and Development
OSHA	Occupational Safety and Health Administration
PNAA	National Environmental Audit Program
PPP	Public-Private Partnership
PRC	People's Republic of China
PROFEPA	Federal Attorney of Environmental Protection
PRI	Principles for Responsible Investment
PRME	Principles for Responsible Management Education
RI	Responsible Investment
SASAC	State-owned Assets Supervision and Administration Commission
SMEs	Small and Medium-sized Enterprises
SR	Social Responsibility
SRI	Socially Responsible Investment
SRSG	Special Representative to the Secretary-General
SOE	State-owned Enterprise
TB	Tuberculosis
UN	United Nations
UK	United Kingdom
US	United States
4C	Common Code for the Coffee Community

Annex V

Footnotes

1   Edelmann Trust Barometer 2010: http://www.edelman.co.uk/trustbarometer/

2   Press Release European Parliament: Climate Change – Call for new climate diplomacy (10/02/2010)
    http://www.europarl.europa.eu/news/expert/infopress_page/064-68652-039-02-07-911-20100209IPR68650-08-02-2010-2010-false/default_en.htm

3   Anna Peters (2009): "Pathways out of the crisis – CSR as a strategic tool for the future," Bertelsmann Stiftung.

4   A new set of Principles for Social Investment will be launched at the UN Global Compact Leaders Summit in June 2010.

5   Bertelsmann Stiftung (2006): "Government as Partner? CSR Policy in Europe," Gütersloh, p. 5.

6   For more information, see: www.africa-union.org

7   For more information, see: ASCC Blueprint adopted by the ASEAN Leaders at the 14th ASEAN Summit (01/03/ 2009) in Thailand.
    www.aseansec.org/22336.pdf

8   As a consequence of the Lisbon strategy, the EU-Commission published a Green Paper on Corporate Social Responsibility in which CR is
    defined as: "A concept which allows companies to integrate social and ecological aspects into their business strategies and their stakeholder
    relations". http://europa.eu/legislation_summaries/external_trade/c00019_en.htm

9   For more information, see: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2006:0136:FIN:en:PDF

10 For more information, see: http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/index_en.htm

11 For more information, see:
    http://ec.europa.eu/eu2020/pdf/COMPLET%20EN%20BARROSO%20%20%20007%20-%20Europe%202020%20-%20EN%20version.pdf, pages 15-16

12 For more information, see: http://ec.europa.eu/commission_2010-2014/president/news/documents/pdf/20100331_1b_en.pdf, page 20.

13 For more information, see www.summit-americas.org/iii_summit/iii_summit_poa_en.pdf

14 For more information, see www.summit-americas.org/

15 For more information, see: www.pittsburghsummit.gov/outcome/index.htm

16 For more information, see: www.pittsburghsummit.gov/resources/129665.htm

17 For more information, see: www.iso.org/iso/socialresponsibility.pdf

18 The categorization used here is based on a study by the World Bank: Fox/Ward/Howard (2002).

19 For more information, see: www.unglobalcompact.org/docs/about_the_gc/Voluntarism_Importance.pdf

20 For more information, see: www.lohas.de/content/view/1140/137/

21 For more information, see: "Report of the Special Representative to the Secretary-General on the issue of human rights and transnational
    corporations and other business enterprises" (2010). www2.ohchr.org/english/issues/trans_corporations/docs/A-HRC-14-27.pdf

22 In Germany, for example, the Federal Ministry for Employment and Social Affairs is overseeing the development of a national CR strategy
    through a forum involving representatives from business, civil society, science, trade unions and the government.
    For more information, see: www.csr-in-deutschland.de

23 This overview is based primarily on updated research from "The CSR Navigator – Public policies in Africa, the Americas, Asia and Europe,"
    published in 2007 by the Bertelsmann Stiftung and the German Agency for Technical Cooperation (GTZ). Aimed at providing a systematic
    overview of how governments can promote CR, the study explores CR-relevant contexts, the role of different actors, and CR public policy
    instruments and activities in 13 countries drawn both from north and south.
    www.bertelsmann-stiftung.de/cps/rde/xbcr/SID-51B2780E-292B60BF/bst/xcms_bst_dms_23035_23036_2.pdf

24 For more information on these examples, please refer to the link section in the annex.

25 For more information, see: www.merck.com/corporate-responsibility/access/access-hiv-aids/access-hiv-aids-ACHAP-botswana/approach.html

26 For more information, see: www.achap.org/prevention_of_hiv.html; www.merck.com/corporate-responsibility/access/access-hiv-aids/
    access-hiv-aids-ACHAP-botswana/approach.html

27 For more information, see: www.merck.com/corporate-responsibility/access/access-hiv-aids/access-hiv-aids-ACHAP-
    botswana/performance.html

28 Ramiah, Ilavenil/Reich, Michael (2006): Building effective public-private partnerships: Experiences and lessons from the African Comprehen-
    sive HIV/AIDS Partnerships (ACHAP), 398.

29 Ramiah, Ilavenil/Reich, Michael (2006), 406-407.

30 For more information, see: www.nottingham.ac.uk/cpi/documents/discussion-papers/discussion-paper-51-csr-ds.pdf

31 This information has been provided by the UN Global Compact Office.

32 This information has been provided by the UN Global Compact Office and the German Agency for Technical Cooperation (GTZ) in China.

33 This information has been provided by GTZ in China.

34 For more information, see: www.csrgov.dk/graphics/Samfundsansvar.dk/Dokumenter/Action_plan_CSR.pdf

35 For more information, see: www.csrgov.dk/sw49167.asp

36 For more information, see: www.csrgov.dk/graphics/publikationer/CSR/Reporting_CSR_L5_UK_05.pdf

37 For more information, see: www.raadetforsamfundsansvar.dk

38 For more information, see: www.csrgov.dk/sw60040.asp

39 The study was conducted by the Danish Ministry of Economic and Business Affairs in cooperation with Copenhagen Business School
    and the Institute of State Authorized Public Accountants in Denmark.

40 For more information, see: www.developpp.de/en/Programme.html

41 This information has been provided by the Federal Ministry for Economic Cooperation and Development (BMZ).

42 For more information, see: www.allacademic.com/meta/p305968_index.html

43 For more information, see: PROFEPA annual reports www.profepa.gob.mx

The Ten Principles of the United Nations Global Compact

HUMAN RIGHTS

Principle 1   Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2   make sure that they are not complicit in human rights abuses.

LABOUR

Principle 3   Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4   the elimination of all forms of forced and compulsory labour;

Principle 5   the effective abolition of child labour; and

Principle 6   the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

Principle 7   Businesses are asked to support a precautionary approach to environmental challenges;

Principle 8   undertake initiatives to promote greater environmental responsibility; and

Principle 9   encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

Principle 10   Businesses should work against corruption in all its forms, including extortion and bribery.