Public Policy for Corporate Social Responsibility

July 7–25, 2003

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Corporate Social Responsibility
and Sustainable Competitiveness

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Preface to the Report

Corporate Social Responsibility (CSR) is the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve quality of life, in ways that are both good for business and good for development.

Although the contemporary CSR agenda is maturing, the term "CSR" has not yet taken hold within many public sector agencies, either in industrial or developing countries. Few government initiatives have been undertaken explicitly as "pro-CSR initiatives" but nonetheless many have contributed effectively to the promotion of greater social responsibility. For example, the primary incentive of public sector activities that promote exports of sustainably produced goods and services might well be to earn foreign exchange, but they still have a positive impact by encouraging responsible production. Public sector agencies that do not use the expression "corporate social responsibility" are not necessarily doing any less than those that do. The challenge is for public sector bodies to identify priorities and incentives that are meaningful in the local and national context and to build on existing initiatives and capacities. There is a significant opportunity for public sector bodies in developing countries to harness current enthusiasm for "CSR" alongside key public policy goals and priorities to encourage delivery of results in both respects

This report aims to outline the proceedings, findings and recommendations of the global e-conference "Public Policy for Corporate Social Responsibility" held from July 7 – 25, 2003. The e-conference provided an opportunity for participants from all over the world to exchange their thoughts and ideas on various issues related to the interplay of public policy and corporate social responsibility.

The overriding need to deliver sustainable and equitable development underscores the importance of achieving a better understanding of the role of public policy in relation to corporate social responsibility and its potential to contribute to the development agenda. This e-conference was just one step in building such understanding. Government and companies should integrate consideration of such issues into their policies and business strategies as part of their commitment to business ethics and corporate social responsibility (CSR). However, CSR is a complex issue, with many players, definitions, and interpretations. Instead of focusing on finding "correct" answers to often ill-defined questions, the real challenge is managing the dialogue between various stakeholder groups, building coalitions for action and creating additional learning opportunities through the implementation of sustainable action plans.

In addition to the participants, who through their written contributions had a critical impact on the overall success and quality of the dialogue, expert moderators also played a key role by providing background readings and guidance, thus maximizing knowledge transfer opportunities. Special mention has to be made of Tom Fox, Michael Warner and Regina Abrami. Mehmet Can Atacik and Amanda Blakeley assisted in the preparation and writing of this report.

Djordjija Petkoski   Nigel Twose
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Introduction

The global e-conference on Public Policy and Corporate Social Responsibility (CSR), July 7 – 25, 2003, was organized jointly by World Bank Institute (WBI) and Private Sector Development Vice Presidency of the World Bank. The main objective of this online dialogue was to provide an opportunity for participants from around the world to share their expertise and ideas on ways in which the public sector can promote and support CSR activities in the developing world, and to develop action-oriented recommendations for policy-makers. An expert team of international moderators provided weekly topics, background readings, discussion papers and overall helped to guide and focus the e-conference debate.

The first week of the e-conference focused on the range of roles that governments play in providing an "enabling environment" for CSR. CSR covers a wide range of issues relating to business conduct, from corporate governance and environmental protection, to issues of social inclusion, human rights and national economic development. In the case of private sector investment in low and low-middle income countries, the emphasis placed on each of these issues can vary, and sometimes differs from the priorities of investors and businesses in more developed markets.

The role of the public sector in CSR is complex and is an emerging field. As the term "CSR" has not yet taken hold in many public sector agencies, many of their interventions have not been undertaken explicitly as CSR initiatives, but nevertheless could be seen as part of the CSR agenda. There is therefore a wealth of relevant experience among public sector agencies that is currently being overlooked.

During the second week, participants explored the alignment between public sector priorities and CSR activities in the extractive industries. The extractive industry sector, specifically upstream oil, gas and mining companies, typically involve large multinational enterprises operating in a country over the course of several years, sometimes decades. Operations involve large-scale capital investments, construction activities requiring significant labor inputs, both global and local sourcing, and long periods of facilities management. Tax and royalty revenues are often substantial but deferred, and though they offer an economic opportunity can also be a catalyst for poor governance.

Interest is growing in the potential coincidence of public sector priorities and the CSR activities of business, not least with regard to the social and environmental management practices of upstream extractive industries. This begs the question: how can public policy be formulated to strengthen this alignment, whilst ensuring that the resulting interventions are both 'optimal'— good for both business and development—and 'feasible'—in relation to the institutional constraints of public sector agencies and the value drives of business.

The final week of the conference helped build understanding of the relationship between CSR, trade and foreign direct investment. More and more companies are wondering what the link is between their CSR strategies and their trade activities from both the import and export perspectives. Multinational companies are exporting not only their products and services, but also their operating standards, best business practices, values, and principles, i.e. codes of conduct, all over the world. Many of these practices are increasingly being adopted by domestic

enterprises. Progressive corporations and financial institutions view CSR and sustainable investments as a competitive advantage or a minimum requirement for risk mitigation.

Governments are beginning to view CSR and codes of conduct as a cost-effective means to enhance sustainable development strategies, and as a component of their national competitiveness strategies to compete for the "right" type of FDI inflows and to position their exports globally. For example, the US-Vietnam textiles agreement signed in May 2003, includes an obligation for the Vietnamese authorities to encourage implementation of CSR codes, in return for access to the US market, which is now the top export market for Vietnam, after only two years of formal trade relations. This appears to be the first time that an international trade agreement has included a government obligation to encourage CSR codes, as opposed to the more typical language requiring additional regulation or enforcement. The US-Cambodia textiles agreement also included an obligation to raise labor standards with the incentive of an increased trade quota for products manufactured in line with labor guidelines.

Responses to Topics

The global e-conference generated numerous responses to the weekly topics raised. Detailed analysis indicates that participants raised a variety of interesting questions and suggestions relating to role of public policy in promoting socially responsible corporate behavior as framed by the questions of the week. The following list suggests the scope and breadth of the substantive issues raised:

There was general agreement on the following points:
- The term CSR can be interpreted in a wide range of ways
- CSR represents a new mind set about the changing role of business in society
- Practices of corporate responsibility will show variance, there is not a one size fits all solution.
- Government and businesses should consider the following when forming CSR policies::
  - History, culture
  - Business climate
  - Public awareness
  - Government

  and take into consideration the constraints and responsibilities of each stakeholder, and the potential actions each one can carry out in the context of these components
- Policy and decision makers should demonstrate flexibility on who should take the lead

Some of the concrete recommendations from the e-conference were:
- Creation of a CSR board-that includes government, civil society, business and academia at country or regional level
- Tax incentives-for sharing the public service burden
- Legislative incentives-requirements from corporations that would provide incentives and benchmarks
- Governments can serve as exemplary institutions though by using socially responsible procurement and personnel recruitment practices
- Transparency at all levels in each stakeholders practices

E-Conference Participation

This was a truly global meeting of minds, with 495 e-conference participants from 74 countries representing a broad range of stakeholder groups including CSR professionals, corporate executives, academic researchers, educators, members of multilateral institutions and educational civil society organizations, and students. The most active countries in this e-conference were Brazil, India, Kenya, Nigeria, Columbia, Former Republic of Yugoslavia, the United Kingdom, and the United States. The different regions were represented in the following way:

Africa: 80 participants from 13 countries
Eastern and Central Europe: 71 participants from 14 countries
Latin America and Caribbean: 31 participants from 11 countries
Middle East and North Africa: 7 participants from 4 countries
Australia and Oceania: 13 participants from 2 countries
North America: 107 participants from 2 countries
East Asia and Pacific: 85 participants from 12 countries
South Asia: 8 participants from 2 countries
Western Europe: 94 participants from 15 countries

E-Conference Proceedings

To read the complete discussion, please visit:
http://vx.worldbank.org/cgi-bin/lyris.pl?visit=public-policy-csr

Week I. *The range of roles that governments play in providing an "enabling environment" for CSR*

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Public Sector Roles			
Mandating	'Command and control' legislation	Regulators and inspectorates	Legal and fiscal penalties and rewards
Facilitating	'Enabling' legislation	Creating incentives	Capacity building
	Funding support	Raising awareness	Stimulating markets
Partnering	Combining resources	Stakeholder engagement	Dialogue
Endorsing	Political support	Publicity and praise	

For market-driven CSR issues, such as directors' pay, public sector agencies may elect to adopt a laissez faire approach or facilitate voluntary codes. CSR issues for which the market drivers are weak—where there is no clear business case—may suggest a stronger role for the public sector to create incentives. This might include as regulatory reform or the negotiation of strategic alliances with business or civil society, based on a sharing of the costs and risks.

In low and low-middle income countries, interest is increasing in the possible alignment of the public good outcomes of CSR activities with public sector priorities. For example, developing country governments are beginning to view CSR activities as a means to enhance sustainable development strategies, as a component of their national competitiveness strategies to compete for foreign direct investment and to position their exports globally, and to improve poverty-focused delivery of public policy goals.

Moderator: Tom Fox, Research Associate, Corporate Responsibility for Environment and Development Programme, International Institute for Environment and Development

Commentator: Susan Aaronson, Senior Fellow and Director of Globalization Studies, Kenan Institute, Kenan-Flagler Business School, University of North Carolina

Background readings:
"Public Sector Roles in Strengthening Corporate Social Responsibility: A Baseline Study", Tom Fox, Halina Ward, Bruce Howard, International Institute for Environment and Development (IIED), October 2002

"Developing Value: The Business Case for Sustainability in Emerging Markets", SustainAbility, the International Finance Corporation and Ethos Institute, 2002
"The Role of Government in Advancing Corporate Sustainability", A Background Paper prepared by David V. J. Bell, April 2002

"Third Generation Corporate Citizenship", Simon Zadek, The Foreign Policy Centre and AccountAbility, March 2001

"Public policy and voluntary initiatives: what roles have governments played?", OECD Working Paper on International Investment no. 2001/4, February 2001

"Government and Corporate Social Responsibility: An Overview of Selected Canadian, European and International Practices", Canadian Business for Social Responsibility, 2001

"Why A Role for Government?", National Policy Association

"CSR Public Policies", National Policy Association

"Comparing Approaches to CSR: What Is Best for Canada?" Anne Golden, The Conference Board of Canada

Key Questions Asked of Participants:

1. How is the public sector relevant to the CSR debate?
2. What are the public sector drivers for strengthening CSR?
3. To what extent is the public sector already undertaking "pro-CSR" activities, without realizing it? Does this matter?
4. What are the complementarities and the tensions between public sector interventions and private sector engagement in CSR? How do you strike the balance?
5. Does civil society have a role to play in supporting an enabling environment for CSR? If so, how can the government facilitate this?
6. What, if any, role does CSR play in strengthening national economic competitiveness? How might national and local governments include CSR in the design of competitiveness policies?
7. Is CSR also relevant for small and medium sized enterprises (SMEs), both as individual competitors in the marketplace and as part of global supply chains? What happens to

indigenous companies as CSR codes of conduct become more stringent? Whose responsibility is it to ensure they are able to respond to these pressures/new requirements?

Summary:
The first week, from July 7-11 2003, addressed "the range of roles that governments play in providing an 'enabling environment' for CSR". There was relatively high participation in the discussion, typically with around thirty submissions per day. Discussion remained at a fairly conceptual level, but some participants referred to particular examples or experience. Some key themes emerged, including some that were not given particular emphasis in the above questions - most notably the role of education in enabling CSR. This perhaps reflects the participation of many academics and teachers in the discussion. There follows a brief summary of the discussion under key themes. This summary is not exhaustive and the moderator recommends readers to refer also to the daily summaries and individual submissions where possible.

DEALING WITH COMPLEXITY: DEFINING CSR AND MEASURING PERFORMANCE
Many contributors stressed the complexity, breadth and depth of CSR in terms of topics, actors, contradictions and dilemmas. Some warned against seeing the 'public sector' and 'enterprises' as homogeneous categories, noting the need to recognize the distinctions between public sector agencies at national, regional and global levels, and also between different types of enterprise, from SMEs to multinational corporations. There was some
discussion whether particular topics should be regarded as part of the CSR agenda (e.g. disability, HIV-Aids), and a suggestion that it would be useful to systematically map out the diverse CSR 'territory' as best as possible. There was a call to participants to attempt to develop a working typology of activities that could be used by researchers to measure CSR activities in different countries. Many other participants expressed an interest in such collaboration, some stressing that any framework needs to be flexible so as not to stifle innovation. It was suggested that it could be based on Carroll's four main dimensions of CSR (economic, legal, ethical and philanthropic) within a framework such as the balanced scorecard. Some contributors noted that various CSR standards and measures already exist, and that it is necessary to recognize the difference between management/process standards such as ISO14001 and performance-based measures when measuring companies' activities.

THE NEED FOR LOCALLY SPECIFIC CSR
It was suggested that there should be more research on country-level conditions that shape the role of business in society, to get away from the current emphasis on research that focuses on OECD countries. It was stressed that CSR is viewed differently around the world, and this depends on cultural and historical circumstances - which means that locally-specific and culturally sensitive solutions are required. For example, in the EU
accession countries, discussions on CSR are linked to a redefinition of the boundaries between public and private responsibilities, and defined by a low level of understanding of CSR, particularly within local government. It was noted that approaches to CSR would depend on the orientation of the government and on the level of business influence on policy. There was a call for greater emphasis on defining and implementing CSR (for example, in corporate reporting) at the local level rather than from the global level.
Various participants proposed context-specific national guidelines on CSR, against which companies' CSR activities and performance could be compared. One contributor noted the difficulty of achieving this, particularly given the difficulty of defining and measuring against

social indicators, but recognized that some companies are making efforts to measure and implement CSR at the local level. It was noted that this is often where the dilemmas start, as what appears to be a straightforward policy (e.g. no child labor) becomes more complex when the local context needs to be taken into account.

DOES THE PUBLIC SECTOR HAVE A ROLE TO PLAY?
There was general agreement that the public sector does have a role to play, and it was suggested that the type of CSR that emerges is shaped by the roles that the public sector plays. Some participants noted that government has generally adopted CSR only in a reactive way, for example in response to requirements in export markets, rather than with a more proactive stance. Where there are questions of corporate accountability, it was suggested that public sector engagement is particularly crucial. Many contributors argued
for partnerships and synergy between the public and private sectors, although it was stressed that this would only work when public sector officials do not feel threatened that their roles are being taken over by the private sector. In order to establish under what circumstances partnerships can work, it was suggested that there is a need to define
carefully where immediate cooperation is possible, and where conflict of interest is inevitable.

WHAT ROLES SHOULD THE PUBLIC SECTOR PLAY? Many submissions suggested that where companies do not appear ready to engage with CSR, government needs to take a lead. Suggestions included: ·Ensuring effective governance and a business environment that encourages CSR. This means that the government needs to provide a functioning legal and regulatory structure, and effective delivery mechanisms for public services.

- Setting up a special 'board' or agency with a remit of encouraging CSR and monitoring the CSR activities of both the public and private sectors, and to ensure that CSR is not 'tokenistic'.
- Clarifying expectations of business with regard to CSR, and developing ways of measuring their responses to these expectations.
- Leading by example, e.g. through procurement and raising investors' awareness
- Eliminating bribery and corruption and encouraging transparency in relations between government and business, particularly related to payments made in return for access to natural resources such as oil and minerals. Promoting transparency at local government level, and tackling the corporate lobbying of government.
- Providing tax benefits and other mechanisms so CSR is seen by companies as a benefit rather than a cost. For example, this could include tax exemptions for companies that build social capital by working with local communities as part of their core business.
- Creating a vision and strategy for CSR, and allowing businesses to work with the government towards that strategy.
- Focusing particularly on the gaps in the current CSR agenda – particularly how to work with small and medium-sized enterprises (SMEs), and how CSR can be made to work in countries with poor information and a lack of capital.
- Applying the Local Agenda 21 process to involve local companies in implementing CSR.

ADDRESSING A LACK OF PUBLIC SECTOR CAPACITY
Many contributions stressed that not all governments have the capacity to engage with CSR, or even to establish a functioning legal and regulatory structure, particularly in developing countries. This means that the desired partnership approach may just not be possible. Where this

is the case, some contributions suggested that business has a role to play in supporting the public sector. In order to allow this, government needs to set clear public policy objectives, then encourage CSR activities by businesses that contribute to those objectives. But first, there is a need to define what is socially responsible, now and in the future. One contributor warned that only the public sector has the necessary overview and understanding of social objectives to be able to shape CSR, and that governments should not give legal authority to non-elected private groups to establish their own standards of CSR. It was noted that both the public and the private sector sometimes fail to implement their policies and statements related to CSR, and that what is needed is political will.

BUSINESS DECISIONS, INCENTIVES AND DRIVERS
Some participants suggested that expecting company managers to maximize shareholder value as well as aiming for 'vague' social and environmental objectives (as opposed to adhering to clear regulations and laws) makes them unaccountable for their actions, and potentially allows them simply to act in their own self-interest. There was some discussion whether shareholder value and social and environmental goals are in line with each other - whether there is a "business case" for CSR. One participant described a commonly held view among business leaders, that adhering to social and environmental standards will harm their competitive position. Another doubted whether there is necessarily a causal link between environmental/social performance and financial performance, and called for an open acceptance that in some cases there will be 'win-win', but also 'win-lose' situations - at least in the short run. It was suggested that in the long run, the public will "endow a host of goodwill on the firms that have CSR in their agenda", and one participant pointed to research that suggests that there is a positive relationship between CSR and financial performance, based on US and European data.

A common thread throughout the discussion was the need for the public sector to create the right incentives for responsible action by enterprises. One contributor warned that it is difficult to convince businesses to take part in project-based partnerships, and observed that they will only do so if it is in their financial self-interest. Another suggested that the role of the public sector should be "to provide incentives that encourage the focus to be on long-term sustainability not short term profit gains". Where there is no 'business case' for CSR (i.e. adopting CSR would make an enterprise less competitive) then a variety of incentives could be created to make CSR in its financial interest. Such incentives may be created by government (e.g. through subsidies, tax rebates or penalties) or civil society pressure. It was also suggested that CSR should be linked to corporate risk management.

DRIVING CHANGE AND SHIFTING THE BUSINESS MINDSET
It was suggested that the adoption and mainstreaming of CSR may follow the experience of Quality Management, which was met with skepticism at first but gained broader acceptance as it was increasingly recognized as an essential part of running a prosperous business. One participant highlighted the difficulty of establishing partnerships given entrenched assumptions that companies hold with regard to governments, and vice versa, and the need to work for a "mindset shift" to allow successful partnerships and dialogues.

There was a warning of the danger of CSR being used simply as a tool for brand promotion, and a call for a more fundamental paradigm shift towards 'spiritually guided business', from which CSR would follow. Both government and civil society may need to be involved in bringing a change from the current business mindset - perhaps using the concept of CSR itself as a basis. It

was suggested that change needs to be context-specific and driven at grassroots level, and that top-down attempts to introduce CSR will not work.

THE ROLE OF EDUCATION, INFORMATION AND SHARING EXPERIENCE

Various contributors stressed the importance of CSR-related education, noting that it could build capacity, promote interaction between different actors, demand good governance and track public sector performance, and take into account local culture and identities. Many participants argued that CSR, business and public ethics should be a central element in the academic agenda, both for MBAs and in other disciplines. Others emphasized the need to think beyond the formal tertiary education sector, starting CSR-related education well before university level, and continuing to educate business leaders beyond formal education. There was a call for educators to be flexible and open-minded, and to involve the private sector in education on CSR.

Other types of information sharing were also identified as important. One participant suggested that public sector agencies could usefully initiate learning and exchange of good practice between diverse communities and locations. It was suggested that technology and telecommunications could promote transparency, both in terms of public sector policies and activities, and by internationalizing the 'peer pressure' that encourages enterprises to act responsibly.

THE ROLE OF FOREIGN GOVERNMENTS AND MULTILATERAL INSTITUTIONS

It was suggested that foreign governments and multilateral institutions should link their support to CSR by only investing in projects that involve companies that are practicing CSR. This would force governments to establish mechanisms to encourage the private sector to implement CSR. Foreign governments could bring CSR into their aid and trade policies, and support developing country governments to improve governance, to enable them to establish a 'social compact'. One participant suggested that where there is limited enforcement of legislation, it is important for multilateral institutions to act as external checks or monitors of both member states and multinational companies.

THE ROLE OF CIVIL SOCIETY

Many submissions related to the role of civil society in supporting an enabling environment for CSR, and how the public sector could facilitate this. Generally, it was agreed that civil society organizations have a strong role to play. One participant described how segments of civil society (including media, NGOs, academics and the church) can engage with CSR, and called on each of these groups to 'walk the talk' by demonstrating their own social responsibility and accountability. Civil society organizations may be able to act as a 'bridge' between companies and government and who can 'translate' the terminology of social development into language that business can understand; they can also provide information on enterprises' activities to the public.

It was argued that effective civil society needs the support of the public sector and good governance. Government may be able to coordinate partnerships between businesses and appropriate civil society organizations. However, it was also suggested that there is a special need for civil society action in countries with governance failures or where public sector capacity is weak - for example, to act as a mediator between government, citizens and companies. Civil society itself may be able to support government capacity to deal with CSR where this is lacking.

CSR AND NATIONAL ECONOMIC COMPETITIVENESS
One contributor suggested that a key driver for strengthening CSR is to attract 'quality' foreign investment, and that CSR can provide an attractive marketing flavor at national level. Another agreed that responsible business activity creates a better environment for doing business and promoting social development, which is conducive to medium- and long-term investment. However, others disputed that CSR could help developing countries in terms of competitiveness, given that their competitive advantage at present is primarily based on low costs. One participant described a commonly held view among business leaders, that enterprises operating in developing countries should not be expected to adhere to social and environmental standards that developed countries did not follow at earlier stages of their development.

SMEs AND INDIGENOUS ENTERPRISES
It was suggested that SMEs should be held as accountable as larger enterprises with regard to their operational activities, but that engaging SMEs in CSR is a challenge, particularly in developing countries. The following approaches were suggested:

- Creating incentives for SMEs to adopt CSR, perhaps through fiscal incentives or as part of Poverty Reduction Strategies as promoted by multilateral institutions.
- Public funding for partnerships and 'learning networks' between SMEs in the North and South.
- Partnerships between SMEs and larger companies.
- Public promotion and subsidy for the adoption of CSR standards such as SA8000.
- Linking CSR to public procurement from SMEs.

MESSAGES FROM CONFERENCE PARTICIPANTS

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The idea that governments should establish policies that support, facilitate,
or enable corporate social establish in any way is undemocratic and counter
to the principals of good government. I have no objection to consumers
deciding not to buy products of a certain company because they do not approve
of the company's operations for whatever reason. Similar I have no objection
to investors refusing to buy the stock of a company for whatever reason. What
I strongly object to is the government giving legal authority in any form to
private groups to establish and enforce their standards of corporate
responsibility. The private groups that have created these standards have not
been elected by the public and should have no legal authority or help from
the government to enforce these standards. If democratic governments
following the wishes of the public determine that private companies should
behave in certain ways, these governments can enact the necessary laws that
regulate the behavior of private firms. This is done all the time, for
example, laws that set minimum wages, establish safe working conditions,
protect the environment and so forth. It is the proper role of a democratic
government elected by the people to establish standards of conduct for all
citizens and companies. Governments have no right to give unelected private
groups the legal authority in any form to set and enforce standards of
behavior for either individuals or companies. Robert, USA
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I believe that in addition to peer pressure we need role models, too. An
example from my country is our First Lady who is leading a partnership
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project (btw public sector and NGOs) in upgrading educational level of society.

I agree with the views on hardships confronted in coordinating such partnerships, however, best way to resolve them is to analyze reasons for partnerships. Public sector officials need to be convinced that the aim of partnerships are not mainly to replace what they alone are providing. Given the threat they feel due to privatization programs, this is crucial. Additionally, the reasons for partnership may be various. It may be to complement a service provided by public organizations, or it may be to diversify a service provided. In case partners understand this, they may be more positive in running partnership projects. **Semra, Turkey**

I see CSR as a term that is not far from the lips of Chief Executive Officers to the extent that whenever Vision/Mission statements are written the term CSR is always an integral part of such statements; but the funny thing is that they don't simply lift these statement off the wall for implementation.

However, setting the minimum standard for Corporate Social Responsibility is one dynamics that shouldn't be left in the doorsteps of the government because in third world countries, governments don't always live up to the expectations of the electorates or the subjects (in the case of military rule). According to the maxim "Nemo dat Quod non abeit" meaning you can not give what you don't have. The contemporary third world government need to put in place a working infrastructure that will engender business activities. It is after then that the corporate world could be called upon to give back to the community that provided good business environment. **Bolaji, Nigeria**

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it seems to me that the idea of a single entity owning CSR, be it state or business or something else, will not be effective and therefore will not work. It would be better to allow equal responsibility for CSR initiative to any entity willing to partake and that we all should
allow the natural emergence of this phenomenon, after which we can reach consensus (not negotiate). The message to go out therefore should be that anybody or any structure will be allowed and welcome to participate in CSR at any time.

However, the above paragraph assumes a single level of CSR. It is my perception that the fidelity of CSR should be structured to allow different levels of "attachment" if you like. This essentially relates to the fidelity of CSR in the sense that should one consider the possible government roles posed by Tom Fox it is not difficult to see that not all governments van actually govern to that fidelity.

As far as implementing CSR in developing countries, I would like to suggest that in the light of recent World Bank studies, one should start with the most important aspect first and then do the next important aspect. This refers to the primary objective of implementing an effective government delivery system. Because one might say that if no delivery exists, then no CSR is needed. This will ensure compatibility with investors and multi-nationals and it will set the scene for local industrial participation, be it business, labor or civil society including churches (religious groupings). This will allow the comparison of governments (which is seen as big businesses) e.g. South Africa's value for the tax dollar is 30% and New Zealand's value for the tax dollar is 70%. **Johan, South Africa**

The Kenyan national government needs some serious support to provide the environment that encourages businesses to meet some basic minimum standards, let alone all singing all dancing CSR. Not only that, but big businesses are sometimes actually the ones providing the examples, financing and support to help the government to start to function properly! Its not about how government can help to enable CSR, but more about how business can help GSR (government social responsibility!).

First, in terms of a developing country government providing an enabling environment (as in Kenya) there has to be a focus on clear, workable laws that can be enforced and that companies are encouraged to adhere to. In Kenya there is little or no incentive to pay the minimum wage or to adhere to pollution laws because either the regulators are non existent (i.e. environmental inspectors), the law is so complicated and out of date (i.e. minimum wage) or there are few examples of successful prosecutions within Kenya of businesses breaking the law. So the first role of the government in a developing country situation has got to be about providing a functioning legal and regulatory structure.

Second, there is that old debate as to the role of the state, society, and capital…. who does what in a functioning and fair society? Ideologically I guess it depends if you are a capitalist, a communist, a communitarian, a liberal etc… But practically this is an important question in terms of what CSR actually covers in developing countries. In Western countries where there is free education, free (or relatively free) health care and some form of social security there is less of a question and business can get on with CSR activities over and above basic human needs. But in Kenya companies are taking an active interest in health care because 30% of Kenyans have HIV/AIDS. Companies are providing awareness campaigns, condom distribution, counseling, medical care even anti-retrovirals to workers. Is this CSR? - or is such investment misplaced because such companies should instead be investing in government in order to enable government to be able to create a good health care system for its people?

Therefore the second role of the government has got to be about mapping out the level of its ambition in terms of educational, health care, job creation and social security provision (development) and working as a partner with business to deliver those aims.

The third point, is that it is actually part of CSR that companies actively engage themselves in developing a fair and functioning government in the counties within they operate. Multinationals publicly say that they take a hands off approach to government, that is 'political', that is for the government to decide, that it is not for companies to get involved in the functioning of the state…. But the very fact that companies operate in developing countries means that they are already involved, companies pay taxes, apply for concessions, employ people etc Companies need to get involved especially where there are huge revenues being generated as is the case with oil production. Some sort of governance package needs to go with such huge revenues because it has been shown (especially in Africa) that this wealth generated by business can easily lead to corruption and conflict . At the very least there should be transparency that shows how much money flows from oil companies to host governments the "Publish What You Pay" campaign and disclose all net taxes, fees, royalties and other payments. **Laura, UK**

As an anthropologist looking into this phenomenon called CSR, the term "culture shift" holds promise. But what exactly do we mean by "culture shift". Both public sector as represented by the government and private sector as represented by business capital in themselves are nebulous terms. These entities are not monolithic structures nor their function mutually exclusive. Firstly, if we are to include centrally planned economies, the term public sector will be even more fuzzy as the state itself is engaged in activities that are normally undertaken by free enterprise economy. The important question therefore are: which part of the public sector needs to undergo "culture shift" and in which direction should the shift go. Is the current trend of globalization, free trade, deregulation and privatization the kind of culture shift that one envisions to promote or support CSR? Is the promotion of greater transparency and accountability as part of governance enough to encourage the business community to adopt CSR?

I agree that participation of both the public and private sector is important. However, there is a need to define the areas where immediate cooperation is possible or where conflict of interest is inevitable. One of the areas where competition and conflict is likely to occur is in the areas of natural resource management. For instance in forestry and mining, the conflicting claims of various stakeholders have resulted in tension between the Indigenous People who has different concept of resource management and the modern and capitalist oriented stakeholders whose view of natural resources is different. In most case, the government is ambivalent, in some of its policies. On one hand, they seek to protect the rights of the Indigenous People and on the other hand providing policies that permits exploitation of said resources to the detriment of the Indigenous Peoples. **Ruben, Asian Development Bank**

It has been a trend that corporate citizenship has been the life of multinationals, so also with corporate social responsibility. Detached from local communities the multinationals have been running the game with a "busy-ness" for own profit - within a short-term perspective.

Now we see that multinationals role as exploiters of local resource - man and land - has reached to a level of madness. The fact that long-term perspectives of development and the duty to create value and to nourish life - are the imperatives for survival and to contribute for a better future.

The global challenges are of such a kind that the partnership between private and public sector is indeed needed. The new trend of CSR has emerged from the grassroots of "nature activists" -> multinationals -> influencing governments-> setting the standards and supporting structures for SMEs operating on a very local market. CSP can be defined as a growth point in any society, where we have seen that innovative companies have learned that to save energy or waste management is not only an environmental action – but good business - circular economies demands new measurements for economical performance and we need renewal to measure this.

Sustainable policies and legislations comes more and more into praxis, and many companies not understanding these new imperatives might in fact not have a market in the future. The dynamic of inner will to be a sustainable enterprise is a key to the future markets. Looking at the trend of the sustainable Dow Jones index is maybe setting the scene for the future more than governmental policies. The international financial market might adjust

to the reality faster than governments? The triple bottom lines of measuring profit, social and environmental performance are entering into more and more leaders mind-set, for sure closer to common sense now than before, however impossible to opera without interaction with the local community...and the global! Look at what
has happened to Coca and also Nike sweatshop labor. In such cases, poor CSR performance poses a risk to reputation and brand. So how can local public institutions welcome this kind of interaction?

Today we need to set focus on micro and SMEs anywhere in the world to take part in this new trends, and to increase the partnership across different economical zones of the world and within mega-cities/regions. How can public institutions and the World Bank support the eco - or sustainable innovations in enterprises operating in a less information rich societies with less capital to adjust to a more sustain future? What are the incentives to offer and how will you do the campaign to address this on a broader scale than today? **Stenseth, Norway**

I would suggest three roles that the public sector can play, enforcer, facilitator and leader by example.

I am quite skeptic about the enforcing role, in my opinion laws and regulations will only drive businesses and public sector further away from each other. Considering the complexity and scale of problems related to CSR (i.e. environmental problems & social divides) cooperation between these two sectors is vital, as was illustrated in other postings. I like the comparison between CSR and quality management. QM is not enforced by law, but an enormous amount of corporations has realized that to stay in business and to prosper they need to produce top quality. Like CSR QM was at first met with great negativity. After a while it became more interesting but still only relevant for the quality department. By now successful companies have realized that quality is relevant throughout the entire organization. I suspect (hope) CSR will evolve much in the same fashion (a bit faster would be nice, but change unfortunately takes time to be effective)

The facilitating role seems very promising. In the Netherlands (my home country) the government is creating a center of expertise to support businesses and NGO's alike. Also the thought that Stenseth offered seems to fit into this role, transferring best practices from one nation to another and involving students. In my opinion education is a crucial factor in creating a CSR-minded culture. If we really want to change the way global and local corporations go about their business we should start by educating the managers of the (near) future. A great quote from a Dutch organization (DHO) is:
If you are thinking one year ahead sow a seed,
If you are thinking 10 years ahead plant a tree,
If you are thinking 100 years ahead, educate people.
Jeroen, The Netherlands

You cannot enforce CSR by rule, but you can use 'peer pressure'. I am sure those companies that you have 'named' will be shamed. Thanks to the internet, we can find out what is doing in other countries, and this will enforce companies to be more honest!! **Janet, Poland**

What I have found to be interesting in my discussions with other colleagues in the CSR field and business participation in Africa, especially with reference business influence on national policy issues in South Africa and the rest of the continent is different. This will probably assist in terms of understanding how partnerships and policies on CSR between corporates and government could be forged.

In the African context, it should be noted that governments still wield a lot of power (political), which creates uncertainty for investments and subsequent lack of corporate influence on policy. However, when one looks at South Africa comparatively with other African states, it would be noted that businesses have had influence on government for quite sometime. On that note, I would like to highlight that in most parts of Africa it would be very critical that there is government and public participation on CSR policies, of which local and international businesses in that country should be part of. **Nkosithabile, South Africa**

Even though Colombia faces an internal threat by the illegal armed groups such as FRAC, ELN or paramilitary, which are mostly financially fed by drug traffic; and considering that a huge part of the national budget, which include a recent tax imposed to private sector, is destined to finance the national army in order to control this terrorist groups, government has not yet realized that part of the solution for this problem could be driven out with the consolidation of CSR by the private sector.

There is an important company that produces vegetal oil, which is located in the middle of the Colombian territory, zone in which also confluence the above mentioned groups. During many years this area was no ones land, and the industry was going bankrupt. That company, wisely observed that they could be part of the solution and started a intense work with the community, providing them the opportunity to have an active participation on the production, making them co-owners and giving to their families attention to their basic needs. As a result of such approach, that zone is now a peace territory and illegal armed groups were expelled definitely by the community.

With this example I just wanted to drive your attention about how CSR can promote peaceful living in zones where government has never being present. A big driver for Colombian government to promote CSR is the construction of peace. Government should give tax exemptions to those companies that build social capital, companies that invest in the community. That will induce a direct impact on the accounting balance.

As a middle developed country Colombia still needs to reinforce the role that private sector can play in promoting development and in that sense foreign governments and multilateral institutions should invest in projects that have a strong participation of private sector complying with CSR. The projects must have a permanent joint work between public institutions and private sector companies. If Multilateral institutions condition their support to the application of CSR, governments will be forced to establish the necessary mechanisms that will induce private sector to implement CSR. **Harvey, Columbia**

I'd like to reply to Janet's question as to what governments can do to

Create this enabling environment. Tom Fox's paper (the required reading for this week) has a model for the types of activities gov't can take. While at a Washington think tank, my colleague James Reeves and I did a study of what the Canadian, EU, British, and US governments have been doing. They have strikingly different approaches. I think governments must first define what global CSR means. There must be a shared notion of "ethical behavior." The second step is to link CSR enabling strategies to policies (in foreign aid, trade, at the ILO and World Bank etc....that promote both the rule of law and adherence to international standards. THIS IS KEY. Finally, governments should try a
wide variety of strategies: such as using transparency/disclosure to encourage CSR reporting and help move markets; developing incentives or preferences; utilizing procurement policies; or convening multi-stakeholder dialogues. But to repeat the most important thing governments can do is to help developing countries put in place a "social compact" This takes money-- the government must offer resources to improve governance systems worldwide.
Susan, USA

Although CSR as part of a corporate strategy might provide competitive advantage to SMEs, do they want to? CSR makes financial sense to a multinational corporation whose stock value can be greatly affected by a bad reputation of social and environmental injustice. But SMEs that are in a country that does not have a strong social and environmental public policy may not feel the need to do comply with CSR unless it is proved in beneficial in financial terms. Should CSR be promoted then through tax break incentives like Mr. Harvey Rodriguez suggested; or should it be promoted in public policy as part of private sector development strategies for poverty alleviation designed by the public sector in aid of other international institutions like the World Bank? **Rina, Canada**

Unfortunately, particularly in third world countries, the popular yearnings of the people is exactly the opposite action plan of governments. Now that this is established, it behooves on the civil society to regulate in the most peaceful manner (unlike what obtains in Nigeria where Natives of crude oil regions abduct, kill or foment violent troubles) the expected level of responsibilities of companies in terms of CSR.

Unfortunately however, it is rather difficult to reach a consensus on the modus operandi of achieving this (simply because of the level of literacy and poverty in the third world countries). A giant stride towards the right direction is effective orientation and awareness on the part of everybody; after which all other variables will fit into place. **Bolaji, Nigeria**

The initiative of the World Bank in promoting CSR could become one of the most important contribution in the development of our countries.
I am from Venezuela and I recently moved to Mexico where I live at the present time. The example of the benefits of CSR given by Harvey Rodriguez from Colombia, is very real. Benefits of CSR are not only for society as a whole, but also for the companies, even if they still do not see any direct on their accounting balance. There is the key, to make companies understand that they should follow CSR for their own good, because in addition to being a responsibility, it is also the most profitable proven approach. In Venezuela, the lack of CSR is one of the conditions that contributed to a huge social resentment that has forced thousands of companies to close, with

all of the social negative implications that in involves, such as the increasing levels of poverty, criminality, unemployment, exodus of professionals, etc...Of course governments have to be involved in CSR programs, but companies have to follow these programs not because they are told so, they should focus on CSR as an important element of their profitability. If Venezuelan companies had performed their CSR, our country would not be in such a bad shape, as it is now. Unfortunately, social resentment can be sometimes manipulated with obscure political purposes. I agree with Jeroen Hoff regarding the comparison between CSR and quality management. "QM is not enforced by law, but an enormous amount of corporations has realized that to stay in business and to prosper they need to produce top quality." And they really need to perform within frames of CSR to be successful. I think that the observation of Janet Bohdanowicz about the participation of "free associations of people of good will (NGO Sector)" is very important. My perception is that a good way to promote an interaction between the actors of CSR is through education. Education in the formation of new professional with a view in CSR, and education to train organizations in this important field of knowledge. More than promoting CSR as a law, it should be promoted as a philosophy of making business more successful and at the same time of building a more ideal society. **Jose, Venezuela-Mexico**

I want to inform that government should firstly understand that by the way of CSR its duties are implementing by NGO and others. Only after that it should take laws and other regulatory rules to encourage locals to CSR. But, when government in Azerbaijan released taxes from companies which supported and provide finances to NGO's in order to
provide such activities like CSR. Many companies starting to use that event like escaping from tax payments. May be that is very funny but it's a reality. And at the end of that government changed laws in order to prevent tax escapings.

That is why I suggested special board. That board must have juridical background. Depending on it that board may monitor and regulate implementations of government and companies. I think that it would be better to create board which mostly will become from local authorities. Authorities who will elect only once for one or two year. And that board also may include some foreign country representatives, who will monitor that process. May be that is difficult. But, if we want to make it work we have to spend efforts for it. Only after that board will prepare rules and then control their implementation. But that board will not have right to take or accept laws and rules. All that rules must be taken only by legislation organs of government. But, one of most important aspect is not accepting laws, but making them work. That is why we all need that board.

Related the scope. I think that we must spent time and money to educate locals to the CSR. Education or explanation of CSR must cover some aspects or consider local identity. I mean, the programs which will consider social, cultural sides of local people will be much more successful than others. And of course after education it will take time for nation to accept some new things and adopt this innovations in their life style. May be that event will be adopted with some changes, but at least it will adopt. I think there may arise different ways of implementing or creating of that kind of board in different countries. **Karim, Azerbaijan**

In Canada, there are several Indigenous SMEs who were partly aided by the Federal Government (development aid), that have assisted other SMEs in

developing countries in Central and South America. The question is were these SMEs practicing social responsibility? In Canada we have several laws, federally, provincially and locally that business must adhere to in order to keep their business license, these laws are related to work safety, labor codes, environment, and human rights, should a business abuse these codes and it has been reported, the business is investigated and could be dissolved. However, many reports never happen and if they do, there are times that the business gets away with the abuse due to an improper investigation into the matter. I have seen businesses get away with many abuses not only in SMEs but also NGOs. This is not limited to Indigenous organizations but also Non-Indigenous. Which brings rise to another question were the Indigenous SMEs that went to assist Indigenous SMEs in Central and South America practicing good socially responsibility? The only reports I have seen of these Indigenous SMEs have been done by the Federal government who have assisted financial (or aided) however some have not been reported and it is often difficult to find the information because no report has been done or the SME's are still in process of making the partnership a reality. However an assumption could be made yes, as we would think that the Federal government closely monitors funds that it provides to assist in such projects thus try to ensure the SMEs are abiding the laws/codes. However, due to the complexity of dealing with not only the Federal government in order to have a business, there are also provincial and local laws that are not federal jurisdiction. Thus not guaranteeing if the SME is being a good corporate socially responsible citizen.

Therefore in regards to looking at Canada's Indigenous SME's that are helping SMEs in Central and South America with CSR efforts, it must be a multi-lateral partnership approach, there must be some sort of accountability to ensure SMEs here have the resources to be good social responsible corporate citizens and that they have capacity to assist SMEs in the South. In addition, the SMEs in the South must also have a multi-lateral approach, but their system is much, much different than Canada and that must be respected. So the next question would be how did the exchange take place between the Indigenous SMEs in the North and South? Case studies would assist in looking at the exchanges more closely. **Anita, Canada**

CSR is a factor of competitiveness with out a doubt. Businessmen were citizens before they started doing business, so they have a responsibility as part of a society they belong to. As long as companies have responsible business practices, they will be enhancing a much better environment for doing business and promoting social development. By that, economic and social indexes are transformed and generate much more confidence that in the mid and long term promote productive investment (local and foreign).

Under this framework, government will have also the responsibility to generate public policies on education in order to make CSR, business and public ethics a central element in the academic agenda. Amartya Sen expresses very clearly that as long as the society as a hole is able of developing is capabilities completely, it will be possible a much equitative distribution of wealth and a much better quality of life. Inducing CSR is a form of promoting the construction of capabilities among the weakest communities. If private sector promotes the construction of social capital, society as a hole will have blast
off that will make it very dynamic and attractive to other societies.
Harvey, Columbia

The composition of the civil society can include the media, NGOs, academe and the church among others. I think each one as a corporate entity should also develop their own CSR practice to be able to influence others to adopt CSR. "In other words walk the talk". So one of the important challenge is developing a yardstick that can gauge how an aspects of CSR are implemented. One example could be ISO 14001 and the OHSAS 18001.

The Western mining experience here in the Philippines would illustrate how the different stakeholders through the use of media sought to influence public opinion. I have met the WMC PR executive and more o less have some ideas on how they go about their community relations, public relations activities. Thus one important driver is the media. This may include, the tri-media (print, radio and television broadcast), internet and lately here in the Philippines telecommunication via the short messaging service (also known as text message or SMS). The media industry in itself have their own brand of CSR. Everybody is committed to service and also the truth. Very critical assessment of the use of media space may yield interesting insight on the politics of media enterprise. One only needs to look into the advertisement and the kinds of programs and the editorial policy of their news and current affairs programs.

Another interesting phenomenon is the NGOs or the Non Government Organizations. NGOs comes in all sizes and shapes. They are sometimes called PVO or Private Voluntary Organizations, Non-government Development Organizations, Social Development Institutions. NGOs can be a membership organization or a group of professionals doing public contracting work. NGOs can be organized by the business community to serve as their social development arm as in the case of PBSP in the Philippines (http://www.pbsp.org.ph). Given the highly heterogeneous character of NGOs, they can perform a variety of function. Which includes: advocate, critic or watchdog, collaborating agency, In the WMC experience, the NGOs played the role of critic and watchdog. Using the code of conduct of the corporation, the NGOs have raised ethical issues and concerns on the activities of the local subsidiary (WMC Philippines) with reference to the corporation's pronouncement and their code of conduct statement. The local NGO networked with their Australian counterpart, arranged fact finding missions and dialogue and disseminated information about the said investigation. However, as a corporate entity by itself, NGOs (registered with the Securities and Exchange Commission as nonprofit and non-stock organization) needs to develop their own CSR. In the Philippines a group of NGO has adopted a code of ethnics. The issues of transparency and accountability is also being raised within the NGO community.

The Academe is still another important driver. There are three important function that are normally associated with academic institutions, teaching, research and extension. In the WMC experience, David Hyndman, Australian anthropologist and also some of the Filipino anthropologist did their share of research on the controversy. Their expert's opinion was useful in clarifying the issues. However, these functions are not value free nor are divorced from partisan interest. One only needs to look into the researches on palm oil and cholesterol and how it relates to lobby against coco oil imports/exports (there are opposing findings and conclusions). Thus issues on ethics and morality are also raised. Academics can not use academic freedom as a shield for their accountability. As a corporate entity that provides services (degree, consultancy, etc) Academic institution also needs to develop their own CSR or its equivalent.

The Church can be very influential in creating the environment for CSR. In the WMC experience, the Uniting Church in partnership with the local church conducted their own fact-finding mission and dialogue and disseminated their own findings. Again as a corporate entity, the academe also has their own brand of CSR and will need to develop their own CSR especially the private colleges and universities. Church and religious institutions can also have very strong opinion on sin products (alcohol products and cigarettes) as well as birth control preparations and devices. Thus, they can influence the market. The church as a corporate entity also has their own practice of CSR. One needs to examine the back end, as an organization, they also generate income, acquire and manage assets. They charge fees/donations/voluntary donations (or whatever name they call it) for their services. They run schools and radio stations. They support charities and foundations. Some of the old religious denominations here in the Philippines have considerable land holding. Assuming that they don't accumulate income from their business operation and their operation is funded mainly by the donations, then they should also be accountable to the people giving the donation. What do you think?

Each one of us has a role to play in creating the socio-cultural, political and economic environment which in turn defines the policy environment for CSR to prosper. One need only to recognize the specific role of each stakeholders and how they relate to CSR.

I want to underline the fact that components of corporate strategy are very different in developing countries. I think that the role and the importance of the private sector, government, civil society is different at the financial level, cultural level, educational level and legal level.

In Romania, for example, now is very difficult to understand and to promote different CSR standards a high level, because we have difficulties concerning the norms and values, laws and regulations, quality of life. Moreover, is necessary to establish an educational program and promote the CSR standards through the complex organizations, because the knowledge is one of the most important and valuable keys to reducing poverty. The rules are make by strong for the follow-up the weakness (the rules are made by the strongs to be followed by the weaks). In conclusion, in developing countries is generating an economic and legal chaos.

For promoting CSR strategy is necessary to establish international rules: first the support for civil society and second the support for private companies. The civil society must to understand the CSR that (as) an ethics and moral obligation and not that a legal one. The public sector must to be present in the activities of civil society like a partner and like a public service provider. The civil society must effectively decide where they want to go and for that need the support of public sector and a good governance for maximize the impact of their activities and for enhance the reputations of companies, products and values in local community. **Adriana, Romania**

Pf. Michael Jensen, in his paper published in Journal of Applied Corporate Finance (Fall 2001),said that "...Stakeholder theory, argues that managers should make decisions so as to take account of the interests of all stakeholders in a firm (including not only financial claimants, but also employees, customers, communities, governmental officials, and under some interpretations the environment, terrorists, and blackmailers). Because the advocates of stakeholder theory refuse to specify how to make the necessary

tradeoffs among these competing interests they leave managers with a theory that makes it impossible for them to make purposeful decisions. With no way to keep score, stakeholder theory makes managers unaccountable for their actions. It seems clear that such a theory can be attractive to the self-interest of managers and directors."

Therefore, if pf. Michael Jensen was right, I have two questions:
(1) corporate managers really can't make the necessary tradeoffs between economic and social benefits?
(2) it is easier for corporate managers to be self-interest when they have multiple goals?

Secondly, as to the role the government should play, pf. Michael Jensen said: "... resolving externality and monopoly problems is the legitimate domain of the government in its rule-setting function. Those who care about resolving monopoly and externality issues will not succeed if they look to corporations to resolve these issues voluntarily. Companies that try to do so either will be eliminated by competitors who choose not to be so civic minded..."

Therefore, under conditions that government cannot resolve all externality (such as pollution...) and monopoly power (so consumers will be harmed) problems, when a firm operates, it is still likely to generate externality and monopoly power, and thus CSR is important for the whole society. But if corporations caring more about CSR are less competitive than those caring no CSR, corporations will not care about CSR "voluntarily", as Jensen suggested. So I think government should have to create proper environment such that corporations will be "forced" to care about CSR, by way of some subsidies or penalty to corporations.

Furthermore, I think government cannot do the work perfectly, since corporations are forced, not voluntary or altruistic to care about CSR. Therefore, the pressure from the third sector (NPOs, NGOs...) is an another way to force corporations to care about CSR. Thirdly, we have to let our society know more about how CSR is important and beneficial to our society, such that corporations will find CSR is strategic and corporations caring more about CSR will have more financial performance also. Fourth, MBA programs should contain more courses such as CSR, corporate ethics..., and government should support these programs. **Hsiang-Lin Chih, Taiwan**

....Given the definitional problems of CSR about what exactly is the concept and practice of CSR in its various forms and types and manifestations and components and facets (e.g. social, environmental, community, political) etc. and do all of CSR's various stakeholders understand all of these in the same way?) (and believe the answer to this is no)....and given the measurement problems of CSR regarding how do we (whoever "we" as interested parties actually might be with variable degrees of interest or commitment) measure, assess or benchmark the current and the future levels of CSR and the progress being made towards either more and more, or better and better CSR over time, either quantitatively or qualitatively, and as this is achieved either at enterprise levels, or sectoral levels, or at national levels or perhaps at supply chains levels or globally or "in the market"... (and we do not really have a way of measuring this either)
.....and given the "promotional" problems of CSR (who actually "owns it" (what are its proactive or reactive stakeholders (enterprises, the general public, consumers, voters, etc. etc.) and its various actors in various places (including national governments, civil societies and the private sector and businesses and within each of these broader societal sectors the

various actors) (e.g. national. legislatures or executive branches of government or for instance academia, the media, enterprises, business associations, trade unions, investment funds etc. etc.) and how these can promote CSR ...through different approaches, methods etc. i.e. the voluntaristic and mainly ethics based or codes of conduct approach, the legal and regulatory framework compliance based approach, (not yet fully in place) or the competitiveness and consumer demands and increasing awareness approach such as eco-labeling of products or socially responsible investment etc. etc.

....and given the potential confusion or at least the cacophony of voices and understandings and approaches that all of the above can tend to produce ...shouldn't a first effort be at trying to systematically map out and describe all of the above "territory" as best as possible? (or is this perhaps just a waste of time?) Our e-conference could be a first step towards doing this. Is there already a good book on the above? A book that relatively succinctly tries to say: what CSR is, how one knows it is happening, who is doing it, and how it is now being done, and how it might be done better in the future) If this does not exist who might prepare what would be a "reasonably authoritative or inclusive" publication on the above "territory" at least as things stand at this point in time....since CSR notions and practices are also constantly evolving and progressing? And what could be some practical next steps to help bring interested people "on more or less the same page" (or onto a similar page) at least intellectually speaking? **Max, ILO, Thailand**

In Italy the debate on CSR have been enforced since the Italian Government has launched a proposal on it, this is an evidence of how can be useful the role of public administration in sensibilitation. At the same time the governmental proposal has been judged too invasive
regarding something that has to be voluntary to be really efficient.
On the opposite side we have locally a lot of good example about how the local public administration (Municipality,) can mainstream the CSR between the companies working in partnership with them towards a sustainable development. I will try to synthesize our position in some points:

In a lot of local public administrations is promoted the Local
Agenda 21 process to drive the public policies towards a sustainable development. Now is time, for these organizations, to pass from an Agenda to an Acting approach, involving the local companies in improving processes to implement local CSR.

In a globalize approach the national government in Europe can
just define laws to control the respect of ILO in the sectors of national companies moved abroad, but can not be in conflict with national law (es.China and freedom of association)

The government in the developing countries must, first of all,
work on laws and controls, then it can facilitate the income in the country of the foreign companies, those have CSR tools. But we have to remember that these Governments need companies (thinks just to the minimum wage approach...) **Marissa, Italy**

Week 2: *Exploring the alignment between public sector priorities and CSR activities in the extractive industries*

The extractive industry sector, specifically upstream oil, gas and mining companies, typically involve large multinational enterprises operating in a country over the course of several years, sometimes decades. Operations involve large-scale capital investments, construction activities requiring significant labor inputs, both global and local sourcing, and long periods of facilities management. Tax and royalty revenues are often substantial but deferred, and though they offer an economic opportunity can also be a catalyst for poor governance.

Interest is growing in the potential coincidence of public sector priorities and the CSR activities of business, not least with regard to the social and environmental management practices of upstream extractive industries. This begs the question: how can public policy be formulated to strengthen this alignment, whilst ensuring that the resulting interventions are both 'optimal'—good for both business and development—and 'feasible'—in relation to the institutional constraints of public sector agencies and the value drives of business.

The table below provides a means to begin to look for potential alignments between CSR business practices and public sector responsibilities and policies.

CSR Categories	Public Sector Priorities[1]
Economic • Monetary flows to the public sector • Employment and human resource development • Procurement and supply chain management • Technology transfer and intellectual property rights *Environment* • Environmentally safe production, products and services • Environmental impact assessment and management • Environmental reporting and management systems *Social* • Health and safety of employees • Labor standards • Corruption and bribery • Human Rights • Violence and Conflict • Social impact assessment and management • Community and stakeholder engagement (non-commercial) • Charitable giving • Social investment • Social reporting and management systems *Corporate Governance* • Rights and treatment of shareholders • Governance policies and business principles • Information disclosure and reporting • Responsibilities of the Board • Customer/end-user care	• Trade and foreign Investment • Fiscal and monetary policy • Private sector development and industrial policy • Infrastructure development • Decentralization and local government • Employment and manpower • National institutions and reform • Health Care Services • Education and youth development • Poverty reduction • Environmental protection and management • Food security • Political stability

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[1] World Bank Diagnostic and Appraisal Tool – *Version 1.2*, developed by Michael Warner with input from Halina Ward.

Moderator: Michael Warner, Programme Manager, Optimizing the Development Performance of Corporate Investment, Overseas Development Institute

Commentators:
Mr. Paul Kapelus – Founder and Director, African Institute of Corporate Citizenship
Colin L. Hubo, Faculty, University of Asia and the Pacific

Background Readings:

Indicative Alignments between CSR and Public Sector Responsibilities and Policies

"Results and Recommendations for Developing Country Governments", in Putting Partnering to Work, Business Partners for Development (BPD), 2002

The MMSD Final Report

"Oil Production and Long-Term Regional Development, Partnerships for Managing Social Issues in the Extractive Industries", Case-Study No 10; Warner, M., Larralde, G. and R. Sullivan (2003) Business Partners for Development, Natural Resources Cluster

"Development in the Kahama District (KMCL, Barrick Gold) Tanzania, Partnerships for Managing Social Issues in the Extractive Industries", Case-Study No
"Optimizing the Development Performance of Corporate Investment", Discussion Paper, Overseas Development Institute (2002), London

"Extractive Industry Transparency Initiative, Statement of Principles and Agreed Actions"

"Publish What You Pay Campaign: NGO Statements"

Key Questions Asked of Participants:
- Where there is extreme poverty in countries such as Angola, which aspects of the CSR agenda for upstream extractive industries are most relevant, and to which public sector priorities do they align?
- Is public sector engagement in promoting CSR in the extractive industries a useful complement to a government's poverty-reduction or post-war reconstruction strategies or is it a diversion?
- What can government do to increase the transparency of monetary flows from extractive industry companies to the public sector?
- What can extraction industry operators do to increase the local content of their suppliers without undermining business performance, and what role can government play in incentivizing this?
- What are the roles for public sector agencies when partnering with the extractive industries to broaden the benefits of a company's social investment/community development program?

- Should governments in developing countries play in a role in shaping the boundaries of corporate social practices in the sector? How best can this be achieved, through national legislation or local initiatives?
- In a situation where the credibility of the government has been eroded has an effective regulator, is there an alternative actor that could broker partnership between the industry and stakeholders? How could alignment of objectives be achieved under such an arrangement? How could government build the capacity of the local stakeholders and resolve the credibility issue?
- How can best practices be shared with other mining companies? What is the role of government in this regard and what role, if any, should the industry associations play?
- Should the government be encouraging greater reporting and transparency of mining company's social, environmental and economic impacts?
- How do you sell the idea of alignment between CSR and public policy to public officials who find the extractive sectors politically unpalatable? Is there a role for investment promotion agencies especially in presenting the climate for CSR as a way of encouraging foreign direct investment?

Summary:
CHARACTERISTICS OF CSR IN THE EXTRACTIVE INDUSTRIES
Often, although not always, the upstream operations of oil, gas and mining companies are located in regions characterized by, inter alia, (i) "big men" who want to secure the flow of resources, (ii) weak local government, (iii) a lack of strategic social and economic planning in the region of operations, and (iv) local communities increasingly aware of the weak alignment between the conventional imprint of the business on society (in the form of tax redistribution, long-term employment and related benefits, local SME development and local infrastructure) and their own livelihood priorities. As such a large portion of the debate in week two of this conference has focused on the division of roles between operating company and government in enhancing the social and economic impact of extractive industries for local communities.

ROLE OF GOVERNMENT IN NEGATING THE SANTA CLAUS SYNDROME
There seemed to be a degree of consensus that the 'Santa Claus syndrome' should be avoided. The commercial volatility of the extractive industries sectors suggests that operating companies should refrain from entering into long-term, unilateral, commitments to community development programmes since these can generate false expectations and community dependency, as well as undermining the proper role of the state. Greater sustainability and reduced business liabilities would be achieved where companies learn to partner with local government on community projects, dovetailing their social investment programmes with the strategic social and economic priorities of a mandated democratic planning and political process at district or regional level. Where such political and planning processes are either absent, fledgling or corrupted, a number of participants suggest that the company should seek to 'lead from behind' - avoid undermining the proper role of government and yet play a transparent and graduated part in building the capacity of local authorities to plan and implement social and economic development. This type of 'smart' social (or more accurately 'governance') investment was thought appropriate for countries such as Angola where good governance is in urgent need of resurrection.

Other participants went further suggesting that companies might enter in the planning process itself (along with civil society), transforming hypothetical, desk-based, government-dominated planning exercises into a shared understanding in the region of operations of a division of roles and responsibilities for plan implementation. A sustainable Livelihoods approach was suggested as a possible methodology for a more inclusive form of regional economic planning. Two types of convenors of such planning
exercises were promoted: central government and supra-national bodies (e.g. the World Bank), the latter preferred when corruption levels present a challenge to civil society participation and transparency.

A word of warning was also issued: that regional/local authorities are usually urban based, and thus lack the political incentive to engage in social and economic planning or partnering activities with companies whose operations are in very remote (i.e. low electorate density) areas. BP's operations in Tangguh (Indonesia) and the mining sector in The Philippine were both cited as examples of the difficulties of extractive industries
operations seeking to partner (or enter into joint strategic social and economic planning) with local authorities whose planning and management capacity is weak and whose power-base is remote from the field of operations.

MARKETING CSR TO PROMOTE FDI IN THE EXTRACTIVE INDUSTRIES
The conference hosted an interesting discussion on the role of both central and local/regional government in marketing their CSR capabilities as part of FDI promotion.   The example of the South African Government was noted, where a combination of partnering (in the from of 'negotiated policy making' with companies) and mandating in the form of new concession tendering criteria, e.g. black ownership, employment equity, affirmative procurement and community investment, combine to enhance the overall social and economic performance of new mining operations.   At the local level in The
Philippines, it was suggested that a demonstrable capacity within local and regional government to collaborate with mining operations in economic and social planning and partnership-based social programmes, might also provide a basis for FDI promotion.   The MODERATOR suggested that despite these good intentions, in reality such forms of FDI promotion might be wrongly interpreted as a disincentive to investment, either because such messages suggest a greater exposure to commercial risk, or because it raises the prospects of higher recurrent costs and fixed liabilities.   Associated with this, one participant voiced the worry that such proactive interventions by government might be seen as externalizing the social costs of investing, and thus raising the cost of capital.

EDUCATING THE CSR EDUCATORS
Begun in week 1, the debate around 'educating the CSR educators' continued, with various ideas floated on international dialogue and supra-national bodies for the piloting and dissemination of best practices in CSR.

MESSAGES FROM CONFERENCE PARTICIPANTS

The extractive industry is a heavily regulated sector because of its impact to environment and people. Civil society constituent is also broad and very much active. Thus, it is in this sector where most of the non-government organization and civil society drivers are found. In the Philippines, one of the policy issue that draws the line between the different stakeholders is the conflict between the Mining Law and the Indigenous Peoples Rights Act. Thus, the question raised - how can public policy be formulated to strengthen this alignment, whilst ensuring that the resulting interventions are both 'optimal' - good for both business and development - and 'feasible' - in relation to the institutional constraints of public sector agencies and the value drives of business resonates with some of the issues being raised here in the Philippines.

The FTAA issued by the Philippine government to transnational company remains a hotly contested area. At least one of whom adopted a code of ethnics and claims that the voluntary initiatives they are implementing as part of their CSR practice. Critics however, dismiss this initiatives as expensive community relations package. However, even as the company has already pulled out their operation, the process of sale/succession and the expectation they have created in the community remains an issue. I am inviting participants in this e-conference who are familiar with the Western Mining Corporation's Tampakan Copper Exploration to share their insight on the issue, can the WMC initiatives be considered as CSR or merely an expensive community relations package designed to secure the free and prior informed consent from the indigenous cultural community to enable them to push through with the project? **Ruben, ADB**

I believe that in addition to peer pressure (as mentioned by Bohdanowicz)we need role models too. An example from my country is our First Lady who is leading a partnership project (btw public sector and NGOs) in upgrading educational level of society. I agree with the views on hardships confronted in coordinating such partnerships, however, best way to resolve them is to analyze reasons for partnerships. Public sector officials need to be convinced that the aim of partnerships are not mainly to replace what they alone are providing. Given the threat they feel due to privatization programs, this is crucial. Additionally, the reasons for partnership may be various. It may be to complement a service provided by public organizations, or it may be to diversify a service provided. In case partners understand this, they may be more positive in running partnership projects.

*As highlighted by Ans Kolk and other participants, measurement is another crucial aspect in promoting CSR. "You can improve what you can measure" is a slogan we hear in total quality management literature. The best way we can measure a construct is to identify its dimensions. Being a multidimensional construct, CSR has been defined to comprise of 4 main dimension by A. Carroll. These are economic (I believe this should also be added to CSR components), legal, ethical & philanthropy. My suggestion in developing a measurement instrument for CSR is one that incorporates all 4 dimensions within a framework such as balanced scorecard. **Semra, Turkey**

We are beginning to build a picture of the actual role of the public

sector at the "sub-national" level in some of the regions of the EU through a project entitled CSR Vaderegio comparing experience between Flanders, Basque region, Sicily and Scotland. Already in this small sample we see varying levels of public sector intervention. A proactive strategic engagement through the Trivisi project in Flanders (www.trivisi.be) is geared to meeting some specific policy objectives around lifelong learning and diversity; in the Basque region there is strong political support behind a completely new initiative to drive CSR in the interests of regional competitiveness; in Sicily the authorities are engaged only in respect of narrow employment policy goals; and in Scotland there is deference to the perceived lead taken by the private sector. In the second phase of this work we hope to include some of the accession states and to look in more detail at the sort of points that are coming out from Janet's comments on the Polish context and from others about the need for accountability and transparency within the public sector and whether this is a necessary precondition for CSR. (If any European participants have an interest in joining this do contact me – soon.) While the situation in our regions differs in many respects from that of developing companies, our experience shows that it is still the case that indigenous companies are much less likely than the multinationals to pursue CSR in any integrated way and certainly much less likely to be transparent about what they do. The attitudes of subsidiary business units and how they
contribute to/have a sense of sharing in the global CSR strategy of their parent company is also revealing. In very few cases has the "CSR mindset" been achieved at the operating levels far from HQ. For the regional authorities the question arises of the extent to which they are willing and capable of setting terms or expectations of the social responsibility of companies operating in their localities.

The question of whether the public sector recognizes the ways in which its activities may be pro (or anti) CSR arose at the outset of our study. It was quickly apparent that if we talked in terms of CSR very few of our potential interlocutors recognized the link with their activity. It was only when we broke down the issues as they might arise in relation to employment, supply, environment, communities and governance that they were able to respond. **Kyla, Scotland**

Before helping company needs to know what kind of help is needed and not to act "the Santa Claus way" which many natural resource based companies do in Indonesia (at least prior 1998), if not around the world. There is no sustainability in the "Santa Claus" gesture. What it does, is creating a community of beggars who will always be dependent on company operation to sustain themselves. Many companies are not only build the sophisticated school, but also provide an on-going support for the school, provide a free education for the community and alike. While the intention is good, a good intention may not yield to a good result and may even yield to an unintended consequences. The biggest problem of the "Santa Claus" attitude is that it is not sustainable. How can a local government which is located in far remote area, with a limited resource capacities can take over the school management (let alone the community). CSR is about sustainability and corporation needs to learn from the community on how could these people could eventually be self-sufficient. Recently, many businesses are creating "sustainable development, community relation, community development department. While this is an encouraging sign, business should not shoulder the responsibility to translate their business engagement in social development to these department only.

Second of all, is to influence the university curriculum and the company training programs, so that the engineers are not only learning about what beneath the mother earth but most importantly what lies on the top on it, including its people and environment. Many engineers are ill equipped to translate the social development aspect to their job and plainly ignorance.

Third, in a country where a good human resource capacity is scarce, company as a place where talented, educated, knowledgeable, skillful individuals are located, could mobilize its workforce (and their family) to do corporate volunteering in the community, in the area of health, education, etc. While this engagement is common in Europe and USA, this is still not common. Many company employees lives behind a big wall that separate them and the people outside the fences.

Fourth, by mobilizing company knowledge for public goods. Natural resource based companies normally has so much information on what lies beneath the mother earth. They can make this info available -when needed- to the local government. There is a case where the city wants to preserve the river but have no information about the topographical information. Through a network, the city learn that the company has all information they need. The city then invite the company and they let the person who is responsible for such information sits on the working group. The city do not have to spend a dime, and the corporate gains a credibility within the local government.

Fifth is to improve the local governance capacity. Lots of company would like to participate in this area but it may not be wise to go directly to the local government because of its sensitivity to both parties. Hence, to do it effectively, a company would be better off to work with an intermediary or program delivery organization. Or, the employees, within its personal capacity and as a citizen, can sit in the city council. Relevant information and identified needs from this group can be channeled back to the company for further action.

With such an approach, company do make a business case in doing their CSR. When strength can be leverage and synergy with relevant party can be created, company do not act alone in taking its role as an agent of change in social development. In fact, company should never act alone but together with community, other companies and government in realizing their role as a citizen in developing the country. It's safer for the company, the community and the government. **Sita, Indonesia**

I can speak a little about our experience as a signatory member of the UNGC. We signed because it was natural for us to do so, having been established as a socially responsible company from the beginning. For us the UNGC has been overall a positive experience, but again this is largely because we didn't need much convincing. What has been great is the interaction among the members of the UNGC, because it gathers all manner and size of companies, and creates an environment in which we can all talk to one another on the same level: a start-up can talk to an MNC, eye-to-eye. A few months ago several of us met on the West Coast, and plan to meet again sometime in the fall. Slowly, we are getting to know our fellow members, their interests, challenges and thoughts on the various themes within CSR; I say slowly because we are all busy and scattered all over the world.

Whatever differences there are, continue to exist of course, and there are points on which different members might disagree or simply not understand, but the discussion and interaction platform, the UNGC, is there. I think it

will take some more time before it reaches its true and full potential, and that will depend entirely upon the members.

There is criticism of the UNGC, of course, namely that it is too weak and preaches to the choir. It does not preach to the choir too much--it does try to court companies that are very skeptical of its benefits, although I must say this is not without the help of the signatory members themselves. The challenge of a voluntary program like the UNGC is that it is voluntary, there is no enforcement mechanism, and members are left alone to uphold the 9 principles, without much material help from the Compact. What this means in reality, is that smaller, more flexible companies can put the principles into action quite quickly, but may not have the resources to do so on a grand scale, while those companies that are larger and have more resources, move more slowly precisely because their policies and corporate mindset are more firmly established, require more people and more corporate protocol to effect change or are simply not yet open to the principles.

For members like us, smaller companies with fewer financial and physical resources than the MNCs, the challenge of course involves having the time and the staff to attend all of the meetings which take place all over the world. The other challenge is, quite frankly, being understood, because our views at times differ from those of more traditional, well-established and well-known MNCs, and the first barrier that needs to be overcome is the perception of a young company whose structure and function differs radically from that of a large traditional corporation, and the openness to and acceptance of the smaller company's ideas. It is a question of corporate culture and mindset. **Brigitte, LUCITA**

After spending more than two decades in the corporate integrity/social responsibility field as a professor, adviser and consultant, I have come to the conclusion that the real issue as regards the role of governments, corporations and other stakeholders in promoting sustainable development is to ensure that where ever power resides, accountability must also follow if this entire area is not to fall into disrepute. This means that all parties, governments, corporations, financial institutions (national and international) must work with each other to ensure that there is an external discipline to the powers that are exercised, whether they are governmental, corporate, financial, donor aid and civil society power. This external discipline must include capacity building to ensure that "community development" projects are not just "buying peace" or image building and have the active partnerships of the other stakeholders to ensure that "decapacitation" of governmental responsibilities does not occur. **Errol, Canada**

The academics fail to understand that CSR is an integral element of all organizational/ business functions. Moreover, CSR education is limited to its various definitions picked up from textbooks or the internet, supplemented with examples that are good stories, not helping students understand the need for such an initiative.

The academia, not only limited to premier institutes, should put their time productively talking to industries about CSR and develop case studies, rather than transferring CSR downloads on transparencies and babbling it out to deaf ears in the classrooms. **Sachin, India**

The public sector has a duty not just to meet it's mandate set by Government but also to the various people and communities (voters) that will be affected by these priorities. Business have a duty to produce profits for their shareholders but must ensure that the people and communities affected by these industries are also taken into consideration (living conditions, economy, health).

Formulating policy around CSR has been applied in the past with all the care, but still with disastrous effects. A case in time was the asbestos mining case in South Africa, years after the mine has been closed, people are still dying of exposure to asbestos dust. The priority of the Government of the day and the MNC in question was to increase profits for both and the interest of the people where secondary.

This type of thinking (profits first) is very unlikely to change, if there is no pressure from outside forces in the form of penalties placed upon the country and the companies. The whole mindset of a company's success should change from Income Statement and Balance Sheet to its contribution to CSR.

My recommendation would be to establish a World Body that would ensure that these policies are based on a sound framework and best practices. The framework should not be left for the country to decide on. The application of these policies should be based on the set framework, but situations will differ from country to country and consideration should be given to these differences. There has been a lot of success stories throughout the World that can be used to establish a body of knowledge that should be used for future references and implementation strategies. **Bruce, South Africa**

While some aspects of the concept of CRS are absolute (e.g. safety records are often reported and zero accidents must be the best
performance) others are less so and some could even be controversial.
The minerals industry in general highlights one of the areas of CSR I see as most difficult and that is meeting the needs of all of the concerned societies. For example you could site a processing plant in a remote area minimizing disruption to human populations, but is this environmentally responsible? or you could site it on an urban Brownfield's site minimizing (further)environmental damage but creating traffic problems locally. One group would view one as responsible but another group may view it oppositely. So what standard do we measure CSR against? **David, UK**

Honestly, there are indeed ample number of ways in which companies can assist governments. By definition, CSR is supposed to be the relative duty of the private sector while the government sits at the background and moderate the performance. However, in relative term, the government should and must discharge its electoral promise to the electorate by making sure that infrastructure are put in place so as to engender a good business environment for the private sector.

Take Africa for example, almost everybody practices tax evasion. Personal income tax is rarely paid and where paid, it is short paid. Large Corporations have perfected the act of avoiding tax by hiring qualified accountants to window-dress their accounts. All of these have negative impact on the revenue strengths of the government and consequently hinders the performance and delivery of public goods by the government.

Aside from tax payments, the new world order stipulates that from whom much is taken, much should be given back by ways of community developments, scholarships, e.t.c. Unfortunately however, (particularly in Africa) companies engage in CSR simply because they want to achieve corporate credibility as opposed to corporate goal that must be achieved. **Bolaji, Nigeria**

With regard to the question of best practices or cases in the mining industry, the UN Global Compact has two examples in its knowledgebase that I have reviewed and found interesting and perhaps useful. The first case is that of Freeport McMoran's operations in Papua New Guinea where a local community accumulated around the mining area following government encouragement. From the presentation by the Freeport executive at the UNGC / Nortre Dame meeting last spring, the efforts to work with the local government were challenging.

The second case is that of Samarco Mineracao, SA, Brasil where the company created a community based program to improved the environment in a seacoast fishing area coincident with their operations.

In one case the company provided leadership independent of the government and other companies and was quite successful. In the other, collaboration with the government lead to difficulties with NGOs.

The formula for success appears to depend upon the local situation and the ability of a company to find a mutual ground for common interests with its local community. As an experienced management consultant to large companies, I hesitate to endorse formulas for how a company should operate beyond the practical objective of finding ways to ensure its license to operate successfully and profitably in a country.   **Paul**

Authors such as Michael Ross have conducted research suggesting that when LDCs get involved in extractive industries, they frequently stifle economic growth and development through the Dutch Disease within which the government puts so many resources into that sector that other sectors cannot grow and compete. One suggestion for overcoming this and avoiding LDC dependence on unsustainable and detrimental extractive projects is through CSR. If democratic governments can lay out clear social policies for poverty reduction and development, they can use these policies to encourage pro-poor CSR when negotiating FDI contracts. Furthermore, although monetary resources may be weak, government can reassert its commitment to development and its authority by bringing local community leaders into the discussion so that local development priorities can be established before a project begins.

Colin brings up the point that in some countries, relationships between central governments and community groups are weak and thus partnerships are not easily forged. In these instances, supra-national facilitators may be helpful such a World Bank Group co-coordinators as many such projects are co-financed by such supras. By bringing corporations, the public sector and communities together before extractive industry projects begin, all parties can agree on the development priorities of a specific community and take specific steps to meet those goals thereby re-enforcing the public sector and the role of the corporation. In addition, such a dialogue will establish an initial environment of trust and reduce the corporations risk of social backlash. **Alexis, UK**

I think we cannot forget what we have just read about last week. I have been learning a lot with some of the contributions, and one reasoning came up with which I personally agree and from which I think we can take a good lesson to find out in what ways public policy can work together with private interests. Besides the crucial work of mapping out CSR, we cannot forget that each and every case has its own particularities. These can be historical, cultural, social, economic, financial, political... so mapping out can never mean setting out one-size fits all model. Multilateral institutions (should) have learnt that all too well by now. I see the role of government as central in the process of setting out the rules for behavior, based on which, companies are going to behave more or less socially responsible, depending on a nr of factors - capacity (financial above all), internal structure (highly hierarchical or, on the contrary, innovative and flexible), level and quality of education of the people that constitute the organization and of the civil society they are operating in, existence of pro-active NGO´s and, above all, transparency levels of the company and the government of the region they are investing in.

I think it is here that lies the biggest problem for cases like the Angolan one. As it happens in most African states, Angola still suffers from an ingrained clientelistic, elitist and corrupt class, which makes it one of the most unequal countries in the world (as well as one of the richest in terms of natural resources, with unbelievable pockets of richness against a background of uneducated people). I believe, it is very difficult to maintain high levels of accountability of what is happening in Angola in terms of private-public relations. This is when the case of companies contributing to the betterment of public functioning through practical examples is important, even though it still poses the problem of accountability and transparency. Maybe here, multilateral institutions could play a role, having in hand a map of CSR paths to development and, as these countries get more and more into the international financial architecture dynamics and start to abide to the WTO´s rules, a certain type of trade-off could be agreed with the public and private entities in those countries, whereby CSR measures was the demanded good. **Ricardo, Portugal**

First let me introduce myself before proceeding, I'm Timothy Waithaka on internship at the Ministry Of National Development and Planning in Kenya, East Africa. I would like to touch on what Alexis talked about. I think the dilemma here may come in when the specific community is not developed to the extent that few individuals who happen to be their leaders are the ones who are literate which is a common phenomena within Africa. Hence, in such a situation I'd advocate for the supra-national facilitators to play a bigger role than other sectors. This is due to the fact that in such a situation other sectors may take advantage of a community's status. Hence, very pretty work can be done in terms of good policies to encourage pro poor activities BUT, these people may be exploited in the long term in the name of CSR projects. This may be in the pretext of Cheap Labour on a certain project being implemented. We should be aware that such a community may not realize this injustice since after all isn't the project there to help them. Nevertheless we should not take it that just because the project is there to help the community the sectors involved should be allowed to access and use any resource as they deem fit. So, my main point would be for the project in question to enable the community to be able to undertake it's own profitable activities without necessarily relying on CSR activities. **Tim, Kenya**

I believe democratic government seldom exist in a country with abundance natural resources as long as government rely their income on just that, the natural resource, and not the tax revenue, hence government accountability is a serious issues on its own. On the other hand, the civil society tends to be also weak as many of the social development aspect has been left out to the hand of government with little citizen's participation. As a result the sense of citizen's responsibility is generally weak as well. I can't begin to tell you how difficult it is to raise the awareness of the white collar groups on the relationship between tax and social development during the reform back in 1998 in Indonesia (probably even today). Either they don't realize the connection or choose to be ignorance. It is not uncommon that government policies don't look at the poor as the subject but rather an object.

An approach that can be done is try to pull head of companies together, cross-industries, big and small, MNC or local, to learn how can they work together, share their social development engagement, and synergize their work. Yes, the approach is very much business like but then again, if many companies engage in such activities then we hope to see the bar being raised where companies start to benchmark with each other. I think this approach is more sustainable as it is very much the interest of the company to sustain their business operation. I agree that entity like the World Bank can do a lot in terms of facilitating dialogues, introducing the idea, getting the right people to the table. I think this is the role that Bank's PSD can do. **Sita, Indonesia**

The idea that business cannot be trusted and therefore government should 'audit' or verify the claims of company's can be turned around and perhaps corporations should 'audit' or verify the claims of government in care of people, transparency and honesty! In fact that is what happens every day in the international business world when companies make informed choices about the investments they make in developing the economic capabilities of a country whether it is in mining, manufacturing or trade.

I believe the whole idea of CSR will fail if it becomes a regulatory matter rather than a voluntary endeavor by a corporation to improve its relationships with civil society, its customers and its employees. It is clear that the experiments with state operated or closely regulated enterprises in the business sector have failed in every part of the world over the past 100 years. **Paul**

The need to dress-up as Santa Claus and What do we do when Santa Claus have gone home can be minimized if not totally avoided if the government did its job well. There are two basic function that different government agencies do, the regulatory function and the developmental. The public sector as represented by the government is not a monolithic structure, We have the Executive Branch and the Legislative and within the Executive Branch are different line agencies which includes the Department of Environment and Natural Resources (DENR) and the Department of Interior and Local Government. (DILG) . In addition to the National Government Agencies are the Provincial Government and the Municipal Government. Each of them have their respective mandate. However, conflict may arise as a result of their interpretation of such Mandate. One issue is the conflict between the Mining Act, Implemented by the Mines and Geoscience Bureau and the Indigenous

Peoples Rights Act as implemented by the National Commission on Indigenous Peoples. In some ways, the Bureau of Forest Management - Community-based Forestry Management Program also comes to conflict with the Ancestral Domain Claim of the Indigenous People. In an ideal corruption free government, policy issues can be resolved through policy dialogue and harmonization. However, if we factor in the role of the Congressman (legislative) and the Provincial Governors and the Municipal Mayors, the picture becomes even more complex. Some of the functions of the national government agencies are devolved to the local government, makes governance even more complex.

…the government can facilitate the processing of the regulatory requirement through a corruption free process is in itself is enough support to the private corporation. The transaction cost involved
in the processing is added to the initial capital outlay at the stage when the project is not yet assured that it can recover the initial investment. So what can the corporation do to ensure that they get the project moving? Dress-up as Santa Claus.   The issue of developmental role of the government is also tied up to governance issues. The allocation of scarce resources is not detached to the partisan and patronage politics. Thus, we have the phenomenon called pork barrel. Thus, if you are a Congressman or a Governor or Mayor, you will give priority to areas where the concentration of electorate are found and definitely, these are not the areas where the extractive industries are found. Mines are often located in mountainous areas with scarce population. Why build a good road or a health center that services only a few households when you can build one in the lowland rural community whose population is double or almost triple than that of the upland community. Likewise, very few medical staff are willing to work in those remote areas. **Ruben, ADB**

Based on my research work in building partnerships in the extractive sector (including mining) in the Philippines, the work of the partnership has been anchored a development framework that interlinked three major components of organization, participation and self-reliance.

* The basic strategy was to involve the impacted communities in the programs of the company. The crucial element in this strategy was harnessing their capacity in support of company objectives. The rationale was to make the residents feel that they "own" the program and that they were decisive in its crafting or formulation. It was assumed that program implementation would be more effective if communities acquired such a sense of "ownership". Critical aspects of the program were therefore not relegated to the effective control of company people.

* Another strategy employed was imparting entrepreneurial skills and provision of seed capital for engaging in small-scale livelihood projects using a modified approach. For some community programs by extractive sectors in the Philippines, a livelihood project became an end in itself but in some cases, emphasis on livelihood as a way to emancipate the residents from conditions of poverty was equalized with sectoral coaching to advance social consciousness and highlight the correlation between community problems to the larger national situation.

* The creation of organizational forums in impacted communities and among social sectors became a pivotal factor in mobilizing the residents for supporting the exploration project. With active company intervention, the people's organizations gained access to external assistance and technical skills for implementing socio-economic projects. This improved their capacity

to plan within a broad sectoral framework and strengthen their ability to program specific objectives within available resource limits. **Colin, Philippines**

I fully agree with Paul Pederson that CSR directed towards the wider society (after local legislation and internal stake holders have been taken care of) must remain a voluntary matter for companies to improve their relationships with different external stakeholder groups, and should not be regulated. It is necessary to be realistic and acknowledge that companies (as opposed to individuals working for companies perhaps) will never be driven by ethics or moral concerns, but always by profits. Regulation of CSR would, in many cases, force companies to detract from their core business motive - and this will lead to shirking and evasion. It is my firm belief that CSR and sustainable business practices will, in most cases, have a positive impact on profits either indirectly, i.e. through a company's reputation/brand, or directly through for example savings from environmentally sustainable technology. The business case for CSR projects must therefore be advertised widely and loudly, and this is where I see a role for government. Many countries in f.ex. Africa undertake direct marketing of foreign direct investment opportunities for MNCs. When identifying potential investment opportunities, CSR opportunities could also be suggested and evaluated from a profit perspective. It seems clear from diverse case studies and recent contributions from Hubo Colin that CSR projects work best when driven by local actors rather than supra-national bodies. However, just as many developing countries need capacity building assistance from IO's and NGOs to identify investment opportunities locally and attract FDI/local investment, they will need initial assistance in identifying CSR opportunities and making the business cases for them. **Kristin, Norway**

Local level research in South Africa underscores the need to identify ways in which companies can help develop effective local governance (as introduced in this discussion by Michael Warner on 10 July). The research also provides important business case incentives for such support: Due to historical factors, companies are faced with resentful and potentially disruptive local communities, but find it difficult to engage with them due to lacking local representation structures, internal community conflicts, and tensions between tribal and elected authorities. Furthermore, companies' social development efforts are impeded by the lack of effective regional development coordination and planning. (These findings correspond to those described by Colin Hubo and others with regard to different contexts.)

Cross-sector partnerships are a potential way to improve local governance, but these need to provide benefits to participants that are greater than alternative strategies (which is often difficult in the hurly-burly world of South African local politics). Local government has the statutory responsibility to broker partnerships, but seldom the capacity. An underlying requirement is hence for the improvement of basic capacity in local municipalities, in terms of skills development, for instance. Companies are beginning to realize their potential role in this, though they need to do this subtly. (See also Paul Pederson's emphasis on the need for local context specificity in these matters.) In general, companies must learn to 'lead from behind,' as Paul Kapelus once said in the context of Zambian copper mines. **Ralph, South Africa**

The Brazilian ministry for science and technology, had, since April this year, the intention of creating a national technology network to engage Brazilian companies with research centers and diverse public entities. This Monday, that intention became reality through a presidential decree and the Brazilian Technology Network was created.
The aim answers several questions raised already last week, like how does CSR improve competitiveness and counts with the support of at least Petrobrás, the biggest company in Brazil. As it is a public company, it suggests a method of how the central government can use its own influence and resources to stimulate the participation of private companies in a process that aims to develop technology related projects that promote the reliance on imports of goods and services in national strategic sectors. The minister said as well that Petrobrás already made south-south and north-south contacts with companies around the world aiming to help internationalising Brazilian companies, which crucial to the interests of private companies in Brazil. What the latter need to do is cooperate closely with the project, in a way that will also be useful to them, like through the creation of joint working groups between the university and the company, which aim to develop pre-determined goods and services chosen by all the three (public, private and academic representatives). The sectors in which this initiative will be focused are: oil, gas, minerals, alternative energy sources, particularly electricity. The Network will be coordinated by a rotative managing committee that should be responsible for approving or disapproving the networks initiatives. One other thing I thought it was particularly interesting was the emphasis given to the role of the Brazilian Service of Support to the Small and Micro-enterprise. They just didn't recall we call that being socially and environmentally
responsible...

The CSR map really has to be done and given to all the government officials that have the decision power to introduce CSR in the school/university curriculum, as well as to private uni´s, research institutions, federations of industries and companies. I think that maybe the World Bank (and not the IMF in this case) could easily come to the country and finance mini-courses or other education-CSR-related initiatives aimed at executives, lecturers, researchers and others. Actually, the WB could even negotiate fair prices with the govt and private entities to reduce its investment. **Ricardo, Brazil**

I agree with Ralph that the CSR debate should move beyond arguments between voluntarism and regulation and towards a more nuanced understanding that sees state policy and regulation as an integral part of the CSR agenda. However, it is very important that the defining line be established. The important issue here is the resources that will be used to support the policy. In developing countries where Public sector resources is scarce, the use of such resource should not in anyway result to perverse subsidy. The regulatory and policy framework says that polluters pay, it is the obligation of the company to mobilize their resources to clean-up the mess that will be created. Taxpayers and the future generations need be burdened with indirectly subsidizing the cost of the adverse impact to the environment and to the people affected by the investment. It would be interesting if somebody in this e-conference can present a study that supports the allegation of mining company that they are making positive contribution to the economy. Taking into consideration the cumulative impact and the economic valuation of the ecology that will be adversely affected or shall we say re-arranged as a result of the mining operation. **Ruben, ADB**

My name is Eliezer and I am a Venezuelan Sociologist working for a State Owned Enterprise (SOE), a extractive one, in my home country. I would add that my opinions do not reflect and do not try to reflect the corporate position of my company and are my sole responsibility.

Taking up from Ruben's note I would like to complicate matters further by introducing the conflict of interest that exists when SOE enter in the picture. Yes, polluters pay, but the State, which is the entity that at the end would be enforcing the "payment", also owns the polluter. My hypothesis is that most of the times, in this case, the polluter does not pay, or what it says it pays is not equal to what private companies are obliged to pay. In these cases, the burden to the future is forgotten and the real drivers are present benefits.

On the other hand, I know that many SOE try to design and implement CSR programs, but become entangled in the conflict mentioned above. New and constantly rotating Executives, responding to political demands from the parties or government that put them there, will discover that in their cases, diffuse "collective benefits" which are at the core of corporate plans, become more important than community or regional impact, which occur wherever the company is operating. Besides, and obviously different to private MNC, they do not have a large diverse constituency abroad. Extractive SOE will have limited, very specialized markets, not public shareholders and, in many cases, stakeholders don't know there is something at stake. **Eliezer, Venezuela**

Why do advocates of greater social responsibility seem to focus mostly on the large multi-national companies headquartered in the rich countries who have factories or other operations in poor countries? In comparison little attention is given to the local or domestically-owned companies in poor countries.

This is surprising since it well known that the subsidiaries of multi-national companies generally show a greater social responsibility in these countries than do local companies. For example, the multi-nationals typically pay higher wages, offer better working conditions, and pollute less than the local companies. I have visited a number of poor countries, and learned that most people would prefer a job with a subsidiary of a multi-national over their own companies. This is not to say that the level of social responsibility of the multi-nationals is acceptable, but it is usually better than local companies.

I can think of two answers. Do you have any others?

The first answer is that it may be easier to pressure the multi-nationals to improve their social responsibility. Because the multi-nationals have operations in both rich and poor countries, advocates of greater social responsibility in the rich countries can exert more pressure on these companies. Advocates can organize boycotts of their products sold in the rich countries (Nike shoes) or embarrass them in their home countries by exposing their lack of social responsibility in poor countries. Even though multi-nationals typically pay higher wages than local companies, these wages are still much below what they pay in the rich countries. It is easy to use this comparison to make it appear as if they are exploiting workers in poor countries.

Also it is easier to pressure the multi-nationals because they are far fewer in number and much larger compared to the local companies. However, the proportion of economic activity carried out by local companies in a typical poor country is vastly greater than the subsidiaries of the multi-nationals. It seems to me that focusing on local companies would result in a greater improvement in overall CSR.

The second answer is that labor unions in the rich countries are major supporters of higher standards of CSR, and they are much more concerned about the multi-nationals compared to local companies in the poor countries. In particular, unions are more critical of the low wages paid by the multi-nationals than by the local companies. I believe the reason is that the unions' primary concern is not workers in poor countries but their own union members.

Anything that the unions can do to force the multi-nationals to pay higher wages in the poor countries makes it easier for the unions to preserve the jobs and wage levels of their members. Because of the large difference between the wage rates in rich and poor countries, the multi-nationals have an incentive to locate their factories and other operations in the poor countries. This is particularly true for unionized companies in the rich countries where wages are typically higher than in non-union companies. Thus the unions in rich countries have a strong incentive to claim that the multi-nationals are not being socially responsible when they pay low wages in poor countries.

For similar reasons, unions in rich countries are major supporters of the demonstrations against globalization. Globalization means that there are no controls on multi-nationals investing in factories in poor countries and then importing their products back to the rich countries without paying high tariffs. This threatens the jobs of highly paid union workers in the rich countries.

For example, the umbrella union organization in the U.S., the AFL-CIO, has provided both substantial money and people to organize anti-globalization demonstrations. After the attack on the World Trade Center, the AFL-CIO concluded that more demonstrations would be viewed as unpatriotic and halted their support. As a result, subsequent demonstrations largely fizzled.
Robert, USA

The time frame of projects does not always allow for "bottom up" planning. It goes back to the issue that the CSR specialists are brought into projects far too late. There are few cases where the CSR agenda can influence the critical path of the project. The question is whether, within the technical timeframes, a bottom up planning agenda can be developed. My worry is that community expectations are raised and not always fulfilled. This brings me to the point – at what stage in the project life cycle or the planning phase can the CSR practitioners have maximum influence? Of course the earlier the better, and as Michael Warner suggests, the formulation of the concession agreement should be influence by CSR. There is an interesting case in South Africa where the concession agreement signed between the company, the government and the traditional authority (entitled to royalties) integrated significant social development clauses as well as the governance system for monitoring the implementation.

When mining or oil companies enter an environment the "big men" want to

secure the resources and control the flow of resources. This often undermines the potential for bottom up planning. Ruben raises the point that the definition of national issues is contentious and politically motivated. This is important when determining the flow of CSR resources. The determination of the national issues, or even regional or local issues needs to be a multi-stakeholder based process. In developing the social action plans for the Copperbelt (Zambia) we followed the Sustainable Livelihoods Approach in determining the development priorities, agencies and suitable pathways – it was only then that the mine could ask "how do we fit into this development agenda?". This was a departure from previous planning philosophy of the company that determined the development agenda. This requires a mind set shift on the part of the company, the government officials (who were fitting into the companies agenda) and the community (who had never really been asked what they thought). But this new paradigm allowed more 'voices' to enter the scene – NGO's, community based organisations, donor agencies. But still, it was a process hat was being run by consultants of the company and being paid for by the company – rather than being implemented by the government department or agency. How do we overcome this? I think there is room for collaboration – company funds, donor funds, government funds. In the case of Angola there is a need to ensure that CSR does not take over the role of the government. It requires this form of collaboration between the various development agencies. There is also room for different oil companies to collaborate on CSR – to create some opportunity for learning from each other. In so many cases companies 'compete' on CSR and do not want to share insights, contacts etc. I think this is one area where this information is non-proprietal. In fact, clustering CSR initiatives could create economies of scale and improve the investor potential into an area – especially for companies who are scared of CSR.

Marketing CSR to promote FDI: The notion of "responsible competitiveness" is an important one in this context. The issue is to what extent does social responsibility improve country or regional competitiveness. The immediate answer is that it demonstrates sound risk management within a particular geographical location. But is also sends a signal that the costs of investing in a region re higher because companies need to spend more money on social responsibility. This could scare investors away, especially those that do not views CSR as an excellent social risk management strategy as well as reducing the impact on local communities. The worry is that the cost of capital might go up when companies prefer to externalise their social and environmental costs. CSR promotes the internalisation of these costs. **Paul Kapelus (South Africa, World Bank Consultant for CSR in Angola)**

I' d like to respond to Mr. Anderson's question: Why do CSR advocates focus mostly on MNCs? Its simple. They are big and influential. Moreover, the history of regulation teaches us that once big business sees the benefits of a broader notion of responsibility, it is likely that they will either learn how to amortize the costs of voluntary CSR or they will push for governments to mandate these standards globally. Thus, we as example, Levis is ahead of its competitors when it calls for labor standards within the WTO system. Levi's is only the first--. But I think your answer to your own question, Mr. Anderson is full of generalizations. First, as this discussion consistently shows, there are significant CSR pressures on smaller firms in the developing world-especially the firms that supply MNCs. Second, I think you have a very cynical analysis of the role of unions. Yes US unions are often protectionist. Their goal is to prevent foreign investment, to keep jobs, especially unionized jobs in the US. But they also do not want to let governments off the hook. it is the job of national governments to ensure

human rights are protected, monitored, enforced, to develop consumer regulation etc...

I think the debate over CSR has become muddied. For example, CSR practices can=t ensure that firms do not directly aid or abet violations of human rights in the developing world, including taking
advantage of workers who are not permitted to organize. Governments must set clear standards regarding the human rights responsibilities of the firms they headquarter. More importantly, global CSR can=t substitute for transparent, democratically elected and accountable governance in the developing world. Global CSR stems from a failure of governance in both the developed and developing world. Governments, including the US have failed to provide resources to enable develop countries to adopt, implement, and enforce laws and regulations that raise labor, environmental, and human rights standards.

And many developing countries continue to lack the resources, the will, or the public pressure to provide an adequate system of governance and a social compact for their people You're right to allude the CSR strategies won't solve this problem. But they can help! **Susan, USA**

Week 3: *Understanding the relationship between CSR, trade and foreign direct investment*

More and more companies are wondering what the link is between their CSR strategies and their trade activities from both the import and export perspectives. Multinational companies are exporting not only their products and services, but also their operating standards, best business practices, values, and principles, i.e. codes of conduct, all over the world. Many of these practices are increasingly being adopted by domestic enterprises. Progressive corporations and financial institutions view CSR and sustainable investments as a competitive advantage or a minimum requirement for risk mitigation.

Governments are beginning to view CSR and codes of conduct as a cost-effective means to enhance sustainable development strategies, and as a component of their national competitiveness strategies to compete for the "right" type of FDI inflows and to position their exports globally. For example, the US-Vietnam textiles agreement signed in May 2003, includes an obligation for the Vietnamese authorities to encourage implementation of CSR codes, in return for access to the US market, which is now the top export market for Vietnam, after only two years of formal trade relations. This appears to be the first time that an international trade agreement has included a government obligation to encourage CSR codes, as opposed to the more typical language of requiring additional regulation or enforcement. The US - Cambodia textiles agreement also included an obligation to raise labor standards with the incentive of increased quota.

Moderator: Regina Abrami, Assistant Professor, Business, Government and International Economy Unit, Harvard Business School

Background Readings:
Sandra Polaski, "Trade and Labor Standards: A Strategy for Developing Countries," Trade, Equity and Development Project, Carnegie Endowment for International Peace, 2003

Andrew Wells-Dang, "Linking Textiles to Labor Standards: Prospects for Cambodia and Vietnam," Foreign Policy in Focus, June 2002 (download 72kb PDF)
Ajit Singh and Ann Zammit, Report, "The Global Labor Standards Controversy: Critical Issues for Developing Countries," South Centre, November 2000

Ajit Singh and Ann Zammit, Appendix, "The Global Labor Standards Controversy: Critical Issues for Developing Countries," South Centre, November 2000

Business and Industry Advisory Committee to OECD, "Discussion Paper on Supply Chain Management," Supply Chains and OECD Guidelines for Multinational Enterprises, OECD Conference on Corporate Responsibilities, June 19, 2002, Paris

"Globalisation and the Vietnamese Garment Industry: A trade and value chain analysis of responses to global challenges", Khalid Nadvi and John Thoburn

Policy Briefing #18: The Cost of Compliance

Stephanie Barrientos, Catherine Dolan & Anne Tallontire, "Gender and Ethical Trade: A Mapping of Issues in African Horticulture," 2001

Gary Gereffi, Ronie Garcia-Johnson & Erika Sasser, "The NGO-Industrial Complex," Foreign Policy, July-August 2001

The Economist, "Getting Organized, with Western Help," November 29, 2001

Jim Baker, ICFTU, "Remarks to OECD Conference on Corporate Social Responsibility," June 19, 2001

 "Responsibility Breeds Success", Nigel Twose and Ziba Cranmer, Development Outreach, March 2003

Key Questions Asked of Participants:
- How do bilateral and multilateral trade agreements currently help or hinder CSR in developing countries? Should they be expanded or adapted to include CSR? What are the potential benefits, risks, limitations, and trade-offs associated with trade agreements involving CSR? Is the perception of environmental and labor standards as a form of protectionism justified?
- Given the 1999 failure to incorporate labor standards into the WTO, is there any possibility for multilateral governance of working conditions? How so? If not, what other possibilities exist?
- Besides trade agreements, how else might international trade be used to facilitate CSR? Is supply chain management a better means to facilitate CSR? Is this true for all economic sectors? Why? Why not?
- Some argue that in many developing countries only foreign-invested firms are able to meet the CSR standards of international buyers? How can this be remedied?
- How can corporations be "socially responsible" in countries where worker rights such as the freedom of association are denied?
- Are codes of conduct, labor monitoring and third party certification efforts an appropriate solution? Why? Why not?
- Should corporations be in the business of building unions in the developing world? How might they facilitate the development of state capacity?
- Does a supportive CSR environment influence corporate sourcing and foreign investment decisions? Is this true for all economic sectors? If not, what strategies might be deployed to make CSR-friendly environments attractive to investors?
- What can local governments, faced with financial and managerial difficulties, do to signal the right brand of FDI?

Summary:
In the final week of the e-conference, discussion focused on the relationship between CSR, trade and foreign direct investment. Two main streams of discussion emerged. They included: (1) how trade and foreign direct investment might be used to facilitate CSR, and (2) whether a government's effort to improve CSR and CSR-related regulations worked to promote FDI.

Organized by topic area, the items that follow summarize key discussion points and recommendations that arose.

CSR, MNCs and SMEs:
Discussion opened with the question of why CSR-related activism focused mostly on the largest MNCs. A number of reasons emerged: visibility; spillover effects into the supply chain; and an ability to affect the firm's bottom line. There seemed to be little dispute with targeting MNCs, although one participant made the point that MNCs tend to pay more and have better working conditions than local firms and thus attention might be better directed elsewhere.

Evidence that countries were making parallel efforts to improve the competitiveness of local SMEs also emerged. In one case, Vietnam, external factors - namely, the US-Vietnam Bilateral Textile Trade Agreement - played a role in enhancing the presence of SA8000 in the country. In the second case, Thailand, the government, in consultation with the ILO, is in the process of advancing its own code that will be used to certify local firms.

CSR and TRADE AGREEMENTS:
There was consensus over the problem of defining CSR, an issue that arose in the first week of discussion and continued into week three. Building on this, some concern was expressed about including CSR provisions in trade agreements. Particularly worrisome was whether vaguely defined parameters of CSR would evolve into a tool for protectionism.

The subsequent recommendation is that any such provision in trade agreements must include detailed description of what is meant by the term, CSR. A helpful model in this respect is the ILO monitoring criteria used in Cambodia, devised in cooperation with various stakeholders, and meant to make concrete the term "substantial compliance" which is found in the US-Cambodia Bilateral Textile Trade Agreement.

Another stream of discussion favored the inclusion of CSR and CSR-related (labor, environment) provisions in trade agreements, with the argument that it might facilitate and encourage CSR in less visible MNCs operating around the world, yet left free from the scrutiny that falls on more consumer-prominent sectors like textiles, coffee, shoes and the like.

THE LEGAL BOTTOM LINE: A New Avenue to Encourage CSR
The problem of weak government capacity in the developing world was a problem that was mentioned throughout the e-conference. In response, the moderator proposed discussion of what domestic institutions in importing and MNC home countries could be used to encourage CSR. One particularly promising avenue appeared to be the "legal bottom line," examples of which were provided by the moderator and Halina Ward. The discussion ended on a cautionary note related to whether governments would in fact Allow "their" MNCs to come under such scrutiny.

Current lobbying efforts to weaken the applicability of existing home country laws to an MNC's overseas activities points to a new area where NGOs may want to focus their efforts.

MARKETING THE STATE: GOOD GOVERNANCE, FDI AND TRADE

Considerable time was spent discussing the relationship between CSR and FDI. The conclusion has broad implications for whether CSR might positively serve as an investment promotion strategy in the developing world.

Based on a number of examples, there was consensus that the promotion of CSR and CSR-related provisions (labor, environmental) was not a disincentive to investment, but only so long as a country remained cost competitive. The implication is that countries must continue to build an appropriate investment climate that includes cutting the costs incurred through weak state institutions and poor infrastructure.

Does FDI have a role to play? A number of positive examples were raised in the first and second weeks of discussion, along with a warning against the "Santa Claus syndrome." In week three, the moderator pointed to the Cambodia case where efforts to market the country as a "safe haven for production" appear to have worked to its advantage. Investors, as Nigel Twose noted, are producing goods that are not under U.S. textile quota. The country is seen as cost competitive, with the ILO monitoring system, in particular, enjoying considerable credibility with major international garment buyers.

Still, the question of how to facilitate good governance without replacing the state or relieving it of its obligations remains. The Thailand case, raised by Ivanka Mamic, offered an exciting example of state-led facilitation of CSR geared not only to encourage FDI, but also to raise the competitiveness of local firms through a certification project.

The moderator suggested that we will see more of this trend in the next few years as countries, fearful of losing market share to China, begin to sell themselves as the "un-China" with respect to labor standards, in particular. The implication here is of an emerging market of countries competing over the delivery of a low-cost CSR-friendly investment climate --- in effect, "a race to the top."

CODES OF CONDUCT:
Although some criticism of voluntary mechanisms as ineffective tools was made, participants appeared to support codes of conduct as a way to facilitate CSR through a company's supply chain.

BUILD NEW GLOBAL INSTITUTIONS OR EMPOWER THE OLD?
A final stream of discussion related to the role of existing international institutions, especially the WTO and ILO. At issue was how these bodies might be used to enhance CSR. There was little consensus on this issue, with some participants worried about facilitating protectionism. Others considered that only by recognizing the link between trade and labor in a body such as the WTO could we expect upward harmonization of standards to take hold. Conversely, current work underway by the ILO implies that no
formal link is necessary to utilize international trade as a mechanism for domestic institution-building and CSR.

Today, developing countries are increasingly being encouraged to devise "pro-poor" development strategies, ones that do not come at the expense of opening their economies,

but somehow do manage to foster social equity. In this climate, mechanisms to enhance CSR are not only more likely to emerge, but it is vital that they do so if we are to speak of sustainable development and economic growth in the same breath.

MESSAGES FROM CONFERENCE PARTICIPANTS

Based on the very limited understanding of the issues of bilateral and multilateral trade agreements, it is apparent that trade agreements can be a very powerful instrument in promoting CSR in developing countries. However, its effectiveness in promoting CSR, depends largely on comparative advantage, each parties bring into the negotiation table. Thus, the issue of integrated sourcing initiatives (ISI) may be viewed by the different parties based on the agenda that they intend to pursue in the course of the negotiation process.

In the testimony of Sandra Polaski, Senior Associate of Carnegie Endowment For International Peace, before the Senate Committee of Finance on the implementation of the U.S. Bilateral Free Trade Agreement with Singapore and Chile, June 17, 2003, She discussed the significant labor ramifications of the integrated sourcing initiative (ISI). This provision allows goods produced in third countries to be treated as if they had been produced in Singapore for the purpose of satisfying rules of origin provisions. Currently a list of electronic and high tech goods is covered, and the agreement explicitly provides for expansion of that list in the future. It is widely noted that the ISI will cover products from the Indonesian islands of Bintan and Batam, but there is no limitation on where such products may originate. What is the labor ramification? Neither Indonesia nor any other country that benefits from this provision is required to effectively enforce its labor laws. The third country beneficiaries take on none of the obligations of the trade agreement, including those? like labor rights? that embody a carefully forged consensus on trade policy in the U.S. This is not a theoretical problem. In the export processing zones of Bintan and Batam there have been widespread violations of basic labor rights. Both the State Department Country Report on Indonesia and recent reports from Indonesian trade unions indicate continuing problems, ranging from failures to pay even the minimum.

As an anthropologist, that has been involved with research and advocacy on Indigenous Peoples issues in various capacity (as an NGO, as a technical staff of a Government agency and now as a staff of a MDB, I find Andrew Wells-Dang's statement relevant to my work. Nam Theun 2 is still a work in progress, it involves the government, multilateral development bank (MDB)and private sector. It is therefore, an interesting example of direct investment. In the Nam Theun 2, one of the drivers of CSR is the environment and social safeguards policies of the MDBs. I am interested in learning more on how the government and the private investors perceive these safeguards policies?
Ruben, ADB

Is trade an appropriate vehicle for achieving corporate social responsibility? CSR represents the human actions that should be done by companies on behalf of the common good. Can we eliminate those actions in order to dedicate efforts only for the sake of making money? (Note that I said money, not profits). Profits are the result of actions taken by the thinking side of the organization, which takes into account the human values of it. Companies, as long as they have humans in their system, they will have

a human connection, meaning society. Companies, most of all, are social entities, composed by social individuals, and for that reason, they have a "natural" social responsibility. Thus, any legal activity that leads to the well-being of the social system where the organizations cannot be excluded as members (because it is not possible), is always an appropriate vehicle.

Can it be shown to detract from investment and economic growth?
A good economic growth attracts investment, and good investments generate economic growth. However, the stability of an economic growth depends directly on a healthy society. Poverty, for example, attacks the health of society. Social sickness can always be contagious to companies and lead them to close doors forever. So, it is for sure a good investment to make a contribution to prevent such conditions of social anomalies. Here is an analogy, my neighbor is contagiously sick, could die and has no money to buy medicine. I have the possibilities to help, but ... would I help him to buy the medicine or should I ignored it because I think it is a cost for me?....But if I help him, for sure I would prevent future damages to my health and my pocket. The same occurs with companies, there are "invisible costs", when you finally see them it may be too late and there are "invisible profits" that can save the life of the company at large!!!....We are not even discussing here the philanthropic aspects of the analogy.

Another issue is that in our scenario of CSR it is necessary to consider another important element: Politics. Unethical politicians can use and will use social resentment against companies just for the sake of gaining power. If the organized private productive sector does not take into consideration this variable in their plans, the social disease will put it in a financial comma until it dies. Thus, it is advisable for the companies not to open the door to unethical political opportunities. **Jose, Mexico**

The links between CSR and Trade/FDIs can be found on the way multilateral trade rules impact on CSR activities by affecting the volume of production activity and the incentives trade provides for either sustainable or unsustainable production and use. Multilateral trade rules may be used by developing country governments to ensure greater market access for products and services that adhere to global CSR standards. For some countries, this can be a competitive advantage for competing for FDIs (including SRIs) into the country.

Take for example the case of links between trade and environment. As industries have become more sensitive to non-tariff factors in the comparative costs of goods in world trade and environmentalists have discovered the concept unpaid environmental costs, exports of goods that are produced under low environmental standards have been likened to 'dumping' ,that is the export of products at prices below the cost of production. The practice has been called ecological dumping and is related to the broader concept of social dumping – the idea that low standards for environmental protection, worker health and safety, or even artificially depressed wages are unfair practices. **Colin, Philippines**

The link between CSR, Trade and Foreign Investment is the absolutely urgent and critical need for upward harmonization in labour standards, especially equitable wages, if the global economy is to be just and indeed sustainable. It is this feeling of injustice that is fueling the demonstrations and discontentment around the world at meetings of multilateral financial and trade institutions. It must be addressed and

soon.

Critical to this need is to have all countries who are members of the ILO, who happen to also be most of the WTO membership to abide by the 1998 ILO Declaration of Fundamental Principles and Rights at Work in two ways. Those who do not have labour standards legislated to meet the core labour standards in the principles should introduce them. Those that do have these legislated standards, but turn a blind eye to their MNCs and others violating them, as in Export Processing Zones, are in my view potentially violating their present WTO obligations (I detail how in a recently co-authored text "Global Governance, Economy and Law, Waiting for Justice, Routledge, 2003). There can be no legitimate argument about comparative advantage, when countries are violating their own labour standards. Indeed the refusal to abide by national and international standards is often linked to corrupt regimes willing to not enforce standards if the amount of the illegal rent is high enough.

Of course, the international community can not only focus on upward harmonization of labour standards if the capacity to survive and thrive in the global economy is not there in terms of governance, human resource development, financial and regulatory infrastructure. CSR must go beyond the so called "Santa Claus" boundaries to start addressing these issues too in partnership with governments and international financial institutions. Ultimately we may need to have the MNCs "bail in" to help with such infrastructure through new forms of international taxation or tax incentives. We also discuss these possibilities in the book. We need a paradigm shift. We are not getting it and more than half the world are getting increasingly desperate. **Errol, Canada**

In her introduction to the week's discussion, Regina Abrami noted "at issue is whether the move for increased CSR builds comparative advantage or ultimately takes it away from the developing world". Central to this issue is the hypothesis that companies are keen to invest in (or source from) countries that offer a business environment that is conducive to their own CSR-related policies and activities. Possible reasons might be that companies are keen to invest in (or source from) countries where there is a low risk of their operations suffering from negative publicity around human rights or environmental conditions, or where they will have to invest less in auditing, training, capacity building and 'corrective actions' in countries where, for example, labour standards already meet their own codes
of conduct. Linked to this hypothesis is the question of what makes 'quality FDI', and the suggestion that investment by companies who are actively engaged in CSR will support development more than other investment. However, as Michael Warner pointed out last week, the opposite of the hypothesis may be true - governments that seek to market their CSR capabilities as part of FDI promotion may in fact disincentivise investment. Whether or not the hypothesis is valid, I would like to ask participants whether they know of any examples of host country national or regional governments acting on it, by formally integrating any elements of CSR into the activities of their Investment Promotion Agencies (IPAs) or Trade Promotion Agencies (TPAs): Firstly, are any IPAs seeking to demonstrate to potential investors that they offer a comparatively sound environmental, social or ethical investment environment? From a quick review of a selection of IPA websites I have not found any evidence that this is the case, but I would be very interested to know of any host country governments or IPAs who are thinking this way. Secondly, do you know of any host country governments that have sought to

make reference to the OECD Guidelines or other codes of practice in their investment or trade promotion activities? This may either be as a condition of doing business, or as an incentive to potential investors/buyers on the basis of the above hypothesis. **Tom, UK**

Perhaps no one has taken on the issue as to whether CSR should be included in trade agreements because there is still so much debate as to whether labor standards (or environment, etc.)themselves should be included in trade agreements or in WTO rules. Following up on issues raised by Mr. Mendes yesterday regarding the ILO Declaration of Fundamental Principles, there is a compelling argument that there already is an organization to address labor standards: the ILO. Would resources be better allocated to giving the ILO teeth (enforcement authority)? I'm not staking out a position on this, but I'm not sure I've heard arguments that answer why the ILO shouldn't take the lead on this.

As for including CSR in trade agreements, at first glance it seems compelling because it avoids the distortionary impact of trade sanctions, which are available as remedies for failure to comply with core labor standards through the dispute settlement mechanisms of some trade agreements. Existing trade agreements seem to implicitly recognize this given the difficulty of invoking sanctions in NAALC, and the Chile and Singapore agreements. **Doug, USA**

I don't know much about the WTO and have a question in response. What exactly is the nature of these environmental standards? Are they only general goals such as "protect the environment"? Alternatively they might set precise limits on emissions such as the maximum amount of sulfur dioxide that can be emitted by electric power plants burning coal.

Many advocates of greater CSR argue that companies should abide by one of the various standards of CSR developed by such organizations as the OECD or the UN. I wonder if they have actually read these standards. The major problem is that they are general and imprecise. Almost any company could claim that they meet these standards.

In the OECD standards, one standard is that enterprises should "take adequate steps to ensure occupational health and safety in their operations." Another concerning the environment is that companies should establish "...measurable objectives and, where appropriate, targets for improved environmental performance, including periodically reviewing the continuing relevance of these objectives." These are so general that it would be hard to show that any company was not abiding by them.

This may be why many companies claim to abide by one or more of these sets of standards because they are largely meaningless. Most companies, however, will vigorously object to any legal requirement that they must abide by them. One reason is that the companies can't determine what they must due exactly to meet these standards. Laws and regulations must be much more precise if they are to be legally enforced. **Robert, USA**

Codes benefit those that they recognize. In my experience if codes are implemented in the right industries in the right way then they can have a positive benefit for workers. This benefit, who receives it and under what

circumstances right now is more important than how many codes there are. We don't know enough about which codes work best to start pruning.

Codes don't benefit everyone. However, the priority issues of significant parts of the workforce, people related to workers, local communities and wider society are not included in these codes. As a result, companies can appear to be doing well because they comply with a code, but are actually having neutral or negative impacts on those who are denied moral considerability.

Codes assume a universal ethic. One reason codes deny moral considerability is that they are based on assumptions about universal norms and values that misrecognize the priorities of intended beneficiaries in certain circumstances. I can give various examples of this and its consequences if anyone's interested, but one possibility in relation to Regina's question about FDI is that FDI will flow most readily to locations that appear to conform with particular universal norms. See also my forthcoming article in the Journal of Corporate Citizenship.

Parameters of benefit. Many people agree that codes are incomplete, but then say that what is required to increase their coverage is more criteria, better auditing, multi-stakeholder partnerships etc. I wouldn't totally reject that, but we need to recognize that codes and the various instruments required to implement them are rooted in a particular world view and knowledge framework. Where codes fail is where this framework is insufficient. Again I'd be happy to give examples, but what it means is that any movement towards 'better standards' will take place within the limitations of the knowledge framework that dominates what we currently think of as globalization.

The rights of business. The negative practices of companies towards workers and the environment are often the result of supplier-buyer relations. Yet the trading relationship is not included in the codes we're talking about. Neither are fundamental factors that define whether people think business has a positive or negative benefit such as the right to invest/disinvest, the commoditization of factors of production, futurity. In fact it's possible to make the case that not only are codes a quid pro quo for leaving the fundamental rights of business untouched, it can be argued that through social (and environmental) codes the most influential companies are redefining what ethics can or cannot mean. **Michael, USA**

To be effective in improving wages and working conditions, the WTO would have to believe that excessively low wages and bad working conditions in a country are an unfair barrier to imports from countries that have higher wages and better working condition and a subsidy for exports. For example, the U.S. might restrict imports from Bangladesh because the U.S. concludes that wages there are below the "living wage" or working conditions are unsafe and amount to an unfair subsidy to Bangladesh industry. The U.S. does something like this now by banning the importation of products made by prison labor. I am sure that U.S. labor unions would love this policy but I doubt that Bangladesh would be pleased. **Robert, USA**

My understanding is that the theory and the practice in terms of the ILO's 'teeth' differ substantially. The ILO's statute could potentially be read to authorise members to resolve to take a range of sanctions – including expulsion of member countries or even more... But the culture is less about

sanction than problem-solving. I'd be interested to know how people have read, for example, the effectiveness of the ILO mechanisms that swung into action to deal with labour rights violations in Myanmar (many would view this as a 'worst case' scenario where the ILO's mechanisms were sorely stretched). You need a range of facilitating and sanctioning procedures as part of a range of dispute resolution mechanisms. The challenge is, once again, to get the right mix. We miss out on one possible part of the mix at the moment, because the ILO's culture is not at ease with the notion of applying punitive sanctions in 'worst case' scenarios. I've always been skeptical about the value (and the motivations for) a social clause in the WTO - very few of the proposals that have been put forward have *not* been tainted by considerations of 'economic spillovers' (as opposed to moral or human rights considerations) once you look at the proposed operationalisation structures in detail. In event, it takes you back to that old chestnut - what would you have to do to the WTO to equip it to take on this kind of role - in terms of giving it substantive competence to engage with (as opposed to stay out of) labour issues? And, conversely, what would you have to do to the ILO to equip it to engage jointly with the WTO in a shared dispute resolution structure that used trade tools as part of its 'teeth'.

I don't think it's very useful to compare the ILO/WTO/codes of conduct - that's a bit like the voluntary/regulatory dichotomy. The starting point should always be 'what do we want to achieve' and 'what's the best way of achieving it'.. We have to get more sophisticated in the CSR agenda in terms of understanding the mix of different approaches. **Halina, UK**

I suppose that multinational companies while entering new markets in the developing countries and exporting modern management standards along with principles of their corporate culture, play their positive role. This lifts to the highest level of development the culture of management, producing culture and corporate culture that existed before. The business of these companies is at one time the example that demonstrates all this and the example of effective business for the local companies. Of course there are many lacks in many fields and conditions of business in developing countries where these companies come, and there can be abusings made by these companies in the fields of human rights, labour conditions and ecology also exporting and using of old equipment that do not answers the modern requirements of the highly developed countries. But I think that the "holding-back" factor for all these abusings is the bright image of this company in the minds of consumers.

And one more important feature is that branches of multinational companies in different countries are less under corruption from inside. Also I would put responsibility of existing and flowing foreign investments on the governmental politics of countries and the people society matters there. First of all such factors as the human rights, existing/non-existing of corruption and economic factors.

I view the foreign investments and export of modern principles of the corporate culture, management and technologies as the catalyst of the progress. That's why incoming principles of the culture (corporate culture for example) are able to lift the society culture of the region to the higher level without depending from culture features differences of countries.

Knowing the J. de Åstra's proverb that every society has the government that it's worth, also the opportunity for corporations with high culture level to

exist is only in the society with adequate culture level and these things cannot be viewed apart from each other. **Sergey, Russia**

In the case of national development plans, we can use the example of South Africa. There is an integrated set of development plans or strategies, which, though they do not mention CSR explicitly, contain many elements supportive of government's role as potential facilitator of CSR. The government has also shown that it is willing to negotiate with business in terms of the implementation of these plans.

Is this willingness to negotiate and to support business voluntarism increasing the competitive advantage of South Africa? Perhaps, but not on the scale of the damage to competitive advantage that is created by the inability of the state to implement its policies. Hence my suggestion that CSR is nice to have, but much more important are the fundamentals – the state must be able to show that it enforces its own laws and policies. Ironically, some interpretations or manifestations of CSR may be causing more harm than good in this respect, by over-emphasizing business voluntarism or self-regulation in a context where the business case is not solid, or by masking political lobbying against regulatory enforcement.

Similarly, at the international level, the question was raised regarding the role of a social clause in the WTO. Martin Khor argues that "linking social rights to a trade sanctions regime, though tempting at first, is likely to be counterproductive in results" (ref can be supplied). This is particularly so in the context where developing countries are systematically disadvantaged in WTO negotiations, and their terms of trade are deeply unfair. Without revision of this broader set of circumstances, social clauses or increased reliance on business voluntarism may only make things worse.

At both the national and international level, therefore, the question may not be "what can governance do for CSR?" but rather "what can CSR do for governance?" I'd like to see business coming up with concerted suggestions for greater fairness in WTO and for improved enforcement of minimum standards in countries like South Africa. **Ralph, South Africa**

There are various theories about why one code has prominence over another (ease of use, brand recognition, credibility of the custodian bodies, relevance to the industry, etc) although I'd be interested to see the evidence that particular codes are gaining overall dominance.

What is more interesting however is how similar the codes are becoming, and what we should probably looking at is not the content but the way different codes are being implemented.

However the key issue for me is that codes themselves are not contested as a core element of CSR. This despite the fact that they are a management tool rooted in a particular ideational and cultural tradition, and have not been shown to capture the norms, values or well-being of those they intend to benefit. Rhys refers to hegemony, but the clearest evidence of hegemonic power is the unquestioned adoption of codes (and accompanying instruments such as audits and monitoring) as central to the definition and delivery of international justice involving the private sector. **Michael, USA**

Politics make the application of CSR extremely difficult , this can be seen by the examples given, China will not allow any country to interfere into its domestic issues. MNC's are making huge profits in China , because of the low labour rates and working hours, as they did in the time of apartheid in South Africa. In a previous mail, I propose that a there should be a mind shift away from the Balance Sheet, Income Statement, but it is a different debate.

My view is that the onus still rest with the home country of the MNC, to ensure that MNC's should not invest in countries where most human rights are violated. The success of CSR cannot be measured on few examples, leaving the rest of the developing world, vying for much need FDI, thereby disregarding any proper CSR policies to protect its people and environment.

Regional organisations (OECD, SADC) seem to have more power and cohesiveness in terms of CSR policies and trade, these regional organisations also have input regarding the behavior of member countries. Therefore these vehicles should be used to enforce these CSR policies. World bodies like the WTO, are toothless against the might of the developed countries, this we have witness many a time.

Companies, used in the examples are allowed to violate rules and policies because they provide the much needed FDI in these developing counties. Then again, in a world where the majority of the economies are modeled on capitalism, profits and the sharing of profits it what is important to the majority of businesses and politicians. **Bruce, South Africa**

In response to Regina's and E. Mendes's views, one indicator that is suggested to measure FDI performance indicator for countries is ability to attract headquarters of international companies. This is because subsidiary branch's existence may not be continuous. Whenever labour cost increase, the plants may be moved to another country providing cheaper labour. However, headquarters may not be that mobile.

This also points to another fact related with good governance. One of the conditions for good governance is the nature of contract. If both parties enjoy equal conditions it is more likely that they will be sensitive to one others needs, rights. However mobility of capital creates a situation where the contract of foreign company is revocable. So, irrevocability in contract may be associated with foreign investment that is more conscious of local stakeholder needs as well.

I wonder how countries differ with regard to contracts done with international companies. OECD guidelines (and related good governance guidelines in European countries) aim to establish good governance systems to protect investor rights primarily. However, the governance structures should aim stakeholder happiness rather than shareholder happiness alone. **Semra, Turkey**

I want to share with you our Russian experience of multinational companies, and to ask if you have the same situation. Of course these companies do play their positive role itsting the country to higher level, sharing their best experience and values with domestic companies. But only if the country is ready to receive all this. If government understands that along with benefits there are dark sides of multinational companies and they aren't to be

repeated in this country. For example all our Russian traditions and national features are becoming meaningless now. Russian national values are no more important for new, more profitable values, features and traditions are incoming. Multinational standards are very positive and effective, but our country seems not to be ready to implement them without loosing it's face. It is what we see now here, in Russia; but may be this problem is important also in your countries? What do you all think about this? **Marina, Russia**

CSR environment is nowadays shaped as a policy network in which many actors - private and public - play different roles. In this context it is of a growing importance to understand how to exert control over private firms and not-for-profit organizations in charge for the satisfaction of public needs within a public-private interaction and network. An answer to the following questions should be addressed by future research:

1. How policy networks between government and business can measure and report social responsibility to the general public?
2. Which is the level of social responsibility for a policy network in which both public sector organizations, NPOs and private enterprises are involved?
3. Which is the disclosure level in order to identify the social value created or destroyed by private/public activities within a policy network?
4. How third parties supplier (public, private for profit, not-for-profit organizations and cooperative enterprises) can be held accountable for socially responsible decisions?
5. How does accountability and social disclosure influence inter-organisational relationships?
Only government has the necessary overview of public needs and it should be accountable for final outcomes and social impact, even if services and activities are carried out by business within CSR relationships. **Enrico, Milan**

Nigel posted a very simple question to a yet a simple answer: how do firms and govts collaborate to demonstrate that commitment in a sufficiently convincing and transparent manner, as part of national economic competitiveness strategies?

Central to the answer, off-course, is the political will, dialog and coordination between private sector of the selected industry and various but relevant department in both local and national level. Another critical factors is the "capacity" of the people who do dialog and coordination. Capacity means, but not limited to, the knowledge and ability to engage in dialog and coordination.

In most emerging country, dialog and coordination within and among companies and government departments in the country level are a challenge on itself, let alone in the international level and the hard subject such as labor. While I understand the argument that "international standard" is needed, the question becomes whose standard and who has the "power" to influence the standard.

Take the "living wage" issue for example. A guy, from New York came to Indonesia to live in the "Indonesian Living Wage way" yet he maintained some of his living standard" by describing that he can no longer afford

the after shave, etc. Well, most workers don't use after shave. This is
probably too small of an example to be generalized but it shows how
difficult it is to impose another country standard (or international
one), particularly to the emerging market or the low income countries.
If the standard is to be the same everywhere in the world, the develop
country will definitely be of the advance and winning side.

Just curious, since supply and demand are closely related, does the
notion of responsible consumption is written anywhere in any
international document? Do they go hand in hand? **Sita, Indonesia**

Talking about the African context...According to UNICEF: An estimated 20 per
cent of the world's population - mostly those living in the world's poorest
countries - is at risk of contracting malaria. Malaria causes more than three
hundred million acute illnesses and kills at least one million people every
year. Ninety per cent of deaths due to malaria occur in Africa, south of the
Sahara, and most deaths occur in children under the age of five.

"Malaria kills an African child every 30 seconds, and remains one of the most
important threats to the health of pregnant women and their newborns," said
Carol Bellamy, Executive Director of UNICEF. "We have the knowledge and the
potential to achieve our target of reducing the global burden of malaria by
half by 2010, but we need much greater investment and political commitment".

The Africa Malaria Report challenges the global community to step up the
momentum by: "Encouraging, among other actions greater private sector
involvement in the national supply and distribution of quality anti-malarial
drugs, and insecticide treated nets and Increasing global investment to
support implementation of programmes to control malaria in endemic countries;

And talking about labour standards, it is very sad to find out that since
1986, numerous international standards and mechanisms have been created for
child protection. Nonetheless, enormous gaps still exist between
international conventions, national laws, and what children experience every
day. UNICEF has identified children in six different circumstances for
priority attention, one of them is Children in forced and bonded labour.
According to the International Labour Organization, an estimated 246 million
children are engaged in exploitative child labour. Almost three quarters of
them work in hazardous environments such as mines or factories, or with
dangerous substances such as chemicals and agricultural pesticides. Some 5.7
million of these children work under especially horrific circumstances,
including the virtual slavery of bonded labour.

Yesterday I visited this great looking international supermarket, they
had a nice code of ethics hanging on their walls, it made me happy to see
that indicative. However, as I was on my way out I saw a couple of dozens of
very young children working there...my previous happiness turned into
sadness. This is something to reflect on...! **Jose, Mexico**

Comments from Conference Participants:

USA: As someone new to CSR, I've found the conference to be highly informative. Thanks to all of you, and especially to Tom Fox, Michael Warner and Regina Abrami for leading such an enlightening discussion.

India: Many Thanks to the World Bank Institute - Djordjija Petkoski and Nigel Twose for organising this e-conference and other such events on contemporary thematic issues related to the corporate sector. These are truly enlightening and informative.

USA: Above everything else, this conference aims to convey the exciting quality of research in general. The conference is very informative. I am grateful to all of you for your ideas. I hope that your efforts will help and will inspire leaders around the world to apply CSR.

Mexico: This e-conference has ended letting me know that we are not doing a "Don Quixote de la Mancha's work". On the contrary, the issue of CSR is one of the best real opportunities to make a more just world and at the same time to make more prosperous business. Finally, my gratitude to the World Bank Institute for being a great example for the rest of the world to emulate.

LUCITA (Need to find Brigitte's country from Alisa): I enjoyed everyone's interventions, have found this to be, once again, a highly interesting and informative forum, and look very much forward to future discussions.

Philippines: I read with great interest the participants' contributions (on the various topics under CSR) from around the world. I have been "silent" but was a part of this e-conference all through out. Thanks.

Short Biographies of Moderators and Commentators:

Tom Fox
Tom Fox is Research Associate in IIED's Corporate Responsibility for Environment and Development (CRED) Programme. He works on a programme of action-oriented research that aims to bring developing country stakeholder perspectives into the international corporate responsibility debate, and to explore the role of government in relation to CSR. He was lead author of the 2002 study for the World Bank's CSR Practice on "Public Sector Roles in Strengthening Corporate Social Responsibility". Other recent work has included acting as rapporteur for a bilateral development agency round table on CSR. He works closely with IIED's Sustainable Agriculture and Rural Livelihoods Programme on analysis, networking and outreach related to agricultural markets, trade and corporate practice. He is joint coordinator of the Race to the Top project, which explores the social and environmental impacts and performance of UK supermarkets in the agri-food system, through a process of benchmarking and engagement between leading supermarket companies, government and civil society organisations. Before joining IIED in 1997, Tom taught in a business school and high school in Lesotho. He has a degree in International Business, and a Masters degree in Development Studies from the School of Oriental and African Studies, University of London.

Susan Aaronson
Susan Aaronson is Senior Fellow and Director of Globalization Studies at the Kenan Institute, the Washington branch of the Kenan-Flagler Business School, University of North Carolina. Her scholarly research focuses on international investment and social responsibility issues. Aaronson directs a major study, funded by the Ford and UN Foundations, that will examine how U.S. public policies can promote or undermine global corporate social responsibility. In 2002, Aaronson and James Reeves published a study of what other governments are doing to promote global corporate responsibility, called Corporate Responsibility in the Global Village: The Role of Public Policy.

Aaronson is a frequent speaker on public understanding of globalization issues. She was a regular commentator on " All Things Considered" in 1994–1995; "Marketplace" on public radio, from 1995–1998, and "Morning Edition," 1998–2001. She is the author of two scholarly books on trade. Trade and the American Dream uses the history of the ITO, GATT and WTO to talk about how policymakers talked about trade to the American public. Taking Trade to the Streets: The Lost History of Public Efforts to Shape Globalization was published in 2001 by the University of Michigan Press. It examines how trade regulation and social regulation came to intersect and the role of nongovernmental organizations in trade policy.

In 2001, Aaronson wrote a study on how to remake U.S. trade policy, called Redefining the Terms of Trade Policymaking. The forewords were written by Senator Max Baucus, Chairman, Senate Finance Committee, and Congressman Amo Houghton. Aaronson has also written two primers on trade—"Trade is Everybody's Business," for high school students and "Are there Trade Offs When Americans Trade?" for adults. These books relate trade to citizens' daily lives and their many roles as citizens, producers, consumers, and friends of the earth. Aaronson received her doctorate in history (business, economic, public policy) from Johns Hopkins University and a masters in International Affairs from Columbia. She has also been a Guest

Scholar in Economics at the Brookings Institution (1995-1998). She currently teaches in the Elliot School of International Affairs, George Washington University.

Michael Warner
Michael Warner has fifteen years experience in international development as a consultant and trainer, specialising in environmental and social impact assessment, public consultation, partnership brokering and dispute resolution. He is currently working with the Overseas Development Institute leading a new programme titled: "Optimising the Development Performance of Corporate Investment". The programme engages with the oil, gas, mining, telecommunications and construction industries.

He has a Ph.D. in Environmental Management from Imperial London, University of London, and worked for a number of years in developing countries as a consultant with Environmental Resources Management, London. In the mid 1990's he joined the Overseas Development Institute and specialised in the adaptation of interest-based negotiation tools to resolve disputes among communities, business and NGOs.

Between 1998 and 2002 he managed the Secretariat of the Natural Resources Cluster of the World Bank's Business Partners for Development, acting as the broker or advisor in partnership arrangements involving: coal mining with RPG India (resettlement and income restoration); upstream oil and gas development with Shell, Nigeria (EIA) and with BP, Colombia (regional development); Copper mining with Anglo American, Zambia (local business development); gold mining with Placer Dome, Venezuela (community health care); and bauxite mining with Norsk Hydro, India (dispute resolution);

Michael is author of the book "Complex Problems …Negotiated Solutions: Tools to Reduce Conflict in Community Development" (ITDG, 2001), co-author of the World Bank/IFC Good Practice Manual "Doing Better Business Through Effective Disclosure and Public Consultation", and author of two forthcoming books on business partnerships for development.

Michael is also Director of a 'niche' consultancy company: Stakeholder Negotiation Services International (SnSi).

Paul Kapelus
Paul Kapelus is a founding Director of the African Institute of Corporate Citizenship (AICC) and is a member of the Global Reporting Initiative (GRI) Stakeholder Council (Netherlands), and the AccountAbility (AA 1000) Council (United Kingdom). The AICC is a center of excellence in corporate social responsibility, undertaking research and methodology development—primarily in the extractive industry, finance sector and information and elecommunications. A primary focus of AICC is to establish learning networks throughout the African countinent. The AICC is the partner for the Global Compact, launching the initiative in various African countries; and has established, in partnership with the University of South Africa, The Center for Corporate Citizenship which offers training and capacity building. Some current projects include the ISO CSR initiative, sustainable banking in Africa, development of ethical frameworks for NGO's seeking funding from corporations, and development of a Public Sector CSR framework for the oil sector in Angola. In addition Paul undertakes some consultancy for organisations wanting to implement corporate citizenship policies and practices. He holds a Masters Degree in Social Anthropology (thesis on multinational mining and social responsibility - Sussex University, UK)

and has 12 years experience in the field of corporate citizenship, working on projects in southern Africa, West Africa and East Africa.

Colin Hubo

Colin Hubo is on the faculty of the University of Asia and the Pacific.

Regina Abrami

Dr. Regina Abrami is an assistant professor in the Business, Government and International Economy Unit. She joined the Harvard Business School faculty in 2001. She earned her PhD in Political Science at the University of California, Berkeley. In addition, she is a faculty associate of both Harvard's Fairbank Center for East Asian Research and the Weatherhead Center for International Affairs. She is also a member of the Harvard University Committee on Human Rights Scholars-at Risk Selection Committee and Fellow of the Center for International Business, Tuck School of Business.

Her research is broadly concerned with the political economy of development, with particular emphasis on Asia. She is currently working on a book manuscript, Economies Under Different Command: Socialist Norms, Entrepreneurship and Market Transition in Vietnam and China. The book describes how differences in socialist state strategies of economic management and political mobilization resulted in distinct patterns of state-labor relations, industrial development and private sector behavior in the era of economic reforms. The project is based on three years of intensive archival and field research in Vietnam and China. She has also begun work on the changing face of trade unionism and its impact on international trade politics, foreign investment and the global campaign to improve labor standards in the developing world. These projects are linked by their emphasis on how categories of personhood, including the idea of corporations as "global citizens," shape patterns of economic redistribution, entitlement, cooperation and conflict between citizens, states, and business. Most recently, she completed field research on the U.S.-Cambodia Bilateral Textile Trade Agreement.

Professor Abrami has been a recipient of several major fellowships and grants, including the Social Science Research Council, the American Council of Learned Societies-Committee on Scholarly Communication with China (CSCC), the Institute for the Study of World Politics and Fulbright. In addition, she was a recipient of the Bendix Award and the Simpson Fellowship, both from the University of California, Berkeley.

Dr. Abrami has consulted with ADUKI Party Ltd. (Vietnam), the United Nations Development Program (UNDP), and most recently, served as a Ford Foundation-funded project advisor in China (1999-2001). The latest project resulted in the Chinese publication, "Chengshi li de Zugu Xingshang: Chengdu Shi Wailai Jingshangzhe de Shizheng Yanjiu" [City Shopkeepers and Mobile Traders: Field Research on Chengdu City's Migrant Business Community]. She speaks both Vietnamese and Chinese.

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World Bank Institute Corporate Governance and Corporate Social Responsibility Program
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WBI E-Conferences on Corporate Responsibility, Accountability, and Sustainability

The Program on CSR and Sustainable Competitiveness recognizes the value of utilizing distance learning in the form of web-based courses, video conferences, and international electronic dialogues and conferences. E-conferences have proven to be an important step in sharing knowledge and bringing together leaders at the local and global level, and e-conferences are an integral component of the CSR program's distance learning strategy.
For each e-conference, expert moderators provide relevant and up-to-date background readings and guidance leading to focused, high-quality discussions that translate into action-plans working toward tangible change in client countries.

To ensure that e-conferences are effective and long-term learning tools, the organization of side and follow-up events is encouraged. Participants are asked to prepare team contributions from their countries and then develop action-plans that will translate the recommendations from e-conference participants and moderators into concrete agendas that work towards sustainable development. Thereby, e-conferences are especially useful for discussion at the global level but also for action at the local level, building capacity for sustainable development through civic empowerment and inclusion. When possible, we organize video-conferences to bring the most active participants and teams together, in order to facilitate follow-up activities and discussion of the issues raised during an e-conference.