

**Development Cooperation  
and corporate social responsibility**  
exploring the role of development cooperation agencies  
Stockholm, 22nd - 23rd March 2004

## Appendix 2: How donor agencies are supporting and enabling corporate social responsibility

NB if printing: this document is 32 pages long

*Summary documents from:*

AFD (France)  
BMZ (Germany)  
CIDA (Canada)  
DANIDA (Denmark)  
European Multi-stakeholder Forum on CSR (EU)  
GTZ (Germany)  
Sida (Sweden)  
MBZ (The Netherlands)  
DfID (UK)  
USAID (USA)

## Agence Française de Développement-AFD 's activities in the area of CSR/responsible business practices

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AFD is a French public sector financial institution, fully submitted to the banking legislation. It operates both in the french overseas countries and territories (OCTs) and in developing countries.

1. As a provider of credit and social housing in OCTs, the Group has local offices in each French OCT and financial and housing development subsidiaries, through which it carries out three complementary activities: financing local authorities, providing credit to the private sector and promoting social housing. In this realm of activity, we are promoting a full implementation of all EU directives about sustainable development, including CSR.

2. In developing countries, the AFD operates in the countries of so called Priority Solidarity Area (ZSP), defined by the French government. It has also been allowed to offer loans in some other countries (China, Jordan, Thailand, Turkey, Egypt and Syria). Proparco, a subsidiary of the AFD, is responsible for financing the private sector.

AFD Group commitments in developing countries totalled EUR 1493m in 2003. Of this overall volume, project aid, amounted to EUR 877m, in addition to which there was the equivalent of EUR 70m in the form of guarantees given to financial institutions. All AFD operations are fully untied.

3. Proparco (Société de promotion et de participation pour la coopération économique) is a subsidiary company dedicated to financing private investment projects, held by the AFD and 37 private shareholders (banks, financial institutions, industrial and service companies), some of which belong to the developing world.

Proparco's business plan identifies the following priorities for its operations:

- Create efficient infrastructures for the benefit of the populations, emphasising infrastructures that call on public/private partnerships;
- Modernise and consolidate the financial systems, by promoting instruments that mobilise local savings;
- Expand and diversify export output;
- Foster the emergence of a class of local entrepreneurs.

Proparco also invests in the private health and education sectors. It is striving to step up its operations in support of private-sector projects that directly contribute to improving the environment. It engages in financial partnerships with all other bilateral and multilateral development finance companies.

Proparco has a good leverage effect for developing awareness to corporate social responsibility among our partners.

4. The AFD group contribution to improving corporate social responsibility in our countries of operation is organised through its operational procedures and its strategic work.

Procedures :

- Preparation of operations : although we have no formal procedure, we do not tolerate problems regarding labour standards (child labour, forced labour) ; in the framework of the business plan of AFD for 2004, it has been decided to launch before summer a task force in charge of preparing ad hoc procedures regarding social and environmental diligence ;
- Management of operations : with the aim of contributing to capacity development and appropriation, the procurement process relies on the local partner, with strong quality requirements and specific diligence on corruption and money laundering ;
- in the case of credit lines (financial intermediate lending), we regularly audit the partner banks and check procedures and compliance.

In addition, AFD's sectoral strategy for the financial and private sector covers a full range of products sector (from support of micro finance institutions to direct funding of larger companies) aiming at accompanying a small entrepreneur of the informal to the formal sector, and thereby to better practise.

Strategic work :

- our focus on poverty is based upon an approach in terms of fundamental human rights ; basic human rights and labour standards are major components of a sustainable development approach ;
- we are proposing (ABCDE conference 2003) and lobbying for a mechanism to dampen the vulnerability to commodities prices shocks, which we deem to be a major problem in the governance of commodities, and therefore impedes labour standards and human rights

## **1. Multi-Stakeholder Approaches as a Reaction to Global Challenges**

There has been a growing trend in recent years towards new partnerships between the private sector, civil society and development cooperation. These new forms of cooperation are based on new opportunities resulting from globalisation but can also be seen as a reaction to widespread public concerns about the negative effects of globalisation and the need to address problems of global reach by worldwide cooperation among different actors from government, business and civil society.

At the World Summit on Sustainable Development in Johannesburg multi-stakeholder partnerships played an important role. Besides the negotiations on multilateral agreements among governments, over 200 multi-stakeholder partnerships for sustainable development were presented at the summit. The German Federal Government was involved in nine out of these so-called “Type Two Partnerships” and committed a considerable amount of funds to these initiatives which in future will continue to mobilize investment for sustainable development. The WSSD clearly showed that there is a strong need for further multi-stakeholder initiatives to complement multilateral agreements and international regimes where multi-stakeholder coalitions exist which are willing to advance towards sustainable global solutions that go beyond the minimum common denominator governments are willing to agree upon.

In German development cooperation multi-stakeholder approaches have rapidly gained momentum over the last few years. The following outline provides a short overview of how multi-stakeholder approaches evolved in German development cooperation, how multi-stakeholder cooperation is supported by German development cooperation, what are the present lessons learned from Multi-stakeholder partnerships and initiatives and how these approaches may be effective means of global governance.

## **2. Public-Private Partnerships as Starting Point for Multi-Stakeholder Initiatives**

One important starting point for existing Multi-Stakeholder Initiatives including the German Federal Ministry for Economic Cooperation and Development (BMZ) have been pilot projects with individual companies under the Public-Private Partnership Programme financed by the BMZ. In some of the cases pilot projects dealing with the implementation of measures for corporate social responsibility were already designed as multi-stakeholder partnerships. Examples of this kind of multi-stakeholder approaches are pilot-projects with German retailer Otto, the non-governmental organisation (NGO) Misereor and the German Trade Association AVE to implement Codes of Conduct (CoC) in the clothing industry in China and India, as well as the establishment, implementation and monitoring of a “social charter” by pencil producer Faber-Castell, German Metal Workers Union (IG-Metall) and local NGOs. The main objective of these pilot projects was to demonstrate good

practice in socially and environmentally responsible supply chain management and thereby set standards.

In some cases pilot projects did not include civil society organisations from the beginning but at a later stage, once cooperation between the company and development cooperation had proven successful and trust between the project partners had been built up. In these Public-Private Partnership projects BMZ played the role of a project partner and co-financier.

### **3. From Pilot Projects with Individual Companies to Dialogue with Business Associations and Civil Society**

Based on the experience made in a broad range of pilot projects on socially responsible business practice under the PPP-Programme in some sensitive sectors such as coffee production and clothing, there was a growing insight that cooperation had to be upgraded from the micro firm level to the industry or branch level. In this situation the BMZ acted as a facilitator, providing institutionalized or ad hoc Dialogue Fora for discussions among government, business associations and civil society organisations, for discussion on how to implement ecologically and socially responsible business practices at the industry level.

The most prominent and institutionalized form of dialogue is the Round Table Codes of Conduct (RT) initiated by BMZ. The RT comprises representatives from the private-sector, trade unions, NGOs and government and has the task of improving the implementation of labour and social standards in developing countries through corporate codes of conduct. To achieve this aim, RT participant groups are setting out to develop a common understanding of how voluntary codes of conduct can be introduced and applied - effectively, transparently and in a spirit of participation.

For the textile sector a special RT working group was set up who advanced the dialogue to such a degree that, on the basis of the consensus achieved, a project for the sector-wide implementation of a Code of Conduct in the clothing trade industry was initiated, which in the first stage will cover at least 12 developing countries and will reach approximately 4,000 suppliers.

Another positive case where dialogue has led to a concrete implementation project is the coffee industry. In this case, the dialogue among green coffee producers and traders, trade unions and NGOs in the field was established on the basis of a field study initiated by the BMZ and elaborated by the German Development Institute (GDI) on the social conditions of coffee plantation workers in Central America. On the basis of this study and a number of PPP-pilot projects in the sector an ad-hoc multi-stakeholder dialogue forum was initiated to discuss ways to improve the ecological and social conditions of green coffee production, culminating in an agreement among the German Coffee Association (DKV), BMZ/GTZ, trade unions, Fair Trade organisations and NGOs to establish a Code of Conduct for sustainable coffee production.

In the framework of the RT a booklet with guidelines for the effective implementation and control of voluntary codes of conducts is being developed. Events like a Symposium on Corporate Social Responsibility and Globalisation are organised to broaden the audiences for code of conducts.

#### **4. From Dialogue to Strategic Alliances for Implementation**

As mentioned above, dialogue processes in some industries like coffee and textile production have culminated in new strategic alliances to advance the implementation of Codes of Conduct for the whole industry. These alliances have an innovative character. The most distinguishing feature of these alliances is their multi-stakeholder approach. Representatives from government, the business community and civil society try to advance towards more sustainable solutions in a joint effort. Whereas PPP-pilot projects focused on one single company, the whole production chain, including supplier industries, is reviewed and corrective action is taken in the case of these strategic alliances.

This instrument is being applied as well at the project in textile industry that was initiated by the German retailers association AVE and German development cooperation and aims at the implementation of social standards. This PPP-project is aiming to install an auditing and qualification system for the social performance of German retailers' suppliers in 12 countries based on the international standard SA8000. All involved auditing companies will be accredited by Social Accountability International (SAI), New York to guarantee independent, transparent and credible audits of the working conditions.

Based on the emerging auditing processes the project is initiating strategically a dynamic multi-stakeholder dialogue on social standards in each participating country. Awareness raising workshops for stakeholders and suppliers started in April this year in India, followed by Turkey, Romania, Bulgaria and Pakistan in August and September. These workshops should stipulate the midterm development of local networks of national stakeholders which support the improvement of social standards mutually. Workshops, media activities, local round tables and other dialogue instruments are designed to strengthen the independence, acceptance and proliferation of the standards within industry, politics, governments, NGO's, the media and the broader public.

#### **5. Lessons Learned from Multi-Stakeholder Approaches**

Although many multi-stakeholder initiatives have only emerged over the last few years, some conclusions on the inherent opportunities of these approaches for global environmental and development policy can be drawn. Because of their voluntary character, multi-stakeholder initiatives of players committed to finding sustainable solutions for specific social and environmental problems may come up with ways out of difficult dilemmas, where at the multilateral level negotiations have reached a deadlock at a certain stage, where no further progress is possible by consensus-based decision-making. In these cases

“coalitions of the willing”, supported by progressive stakeholders in society, may foster a dynamics towards a “race to the top” and set standards for imitation via good practice examples.

Two interesting preliminary lessons learned can be derived from the experience made in German Development Cooperation about the process of creating multi-stakeholder initiatives and strategic alliances among government, the business community and civil society organisations:

1. Multi-stakeholder alliances emerge in an evolutionary manner where a common perception by different stakeholders in society exists that a specific problem has to be solved in a joint effort. In such situations Development Cooperation can foster progress by proactively providing dialogue fora and support for pilot projects which demonstrate that cooperation among various players having different interests is beneficial for all participants and that trust among partners can be built up.
2. In many cases Multi-stakeholder initiatives were created or advanced, following the image of concentric circles, starting with relatively small pilot projects of individual firms, which were then imitated by other companies, taken to the business association level, including more and more companies, and finally gradually included also other players from society, such as trade unions and NGOs.

In theoretical terms, the multi-stakeholder initiatives supported by German Development Cooperation which recently emerged, can best be described by the concept of “Public-Policy Networks” (PPNs). They are directed towards achieving consensual knowledge of the policy issue among diverse stakeholders, reflecting the different interests of the participants, and on this basis try to implement systemic change in support of public interest. Through continuous interaction these networks permit mutual learning at each step of the process towards implementation, thus broadening the basis of consensual knowledge and opening ways towards far-reaching processes of change.

In general, Public-Policy Multi-Stakeholder Initiatives or Networks do not conflict with decision-making processes in democratic government systems. That is what makes them an important instrument for global governance in the future, complementary to multilateral interaction among governments.

## The Canadian International Development Agency's contributions to Corporate Social Responsibility

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This paper is a preliminary effort to describe the range of policy and program interventions of the Canadian International Development Agency (CIDA) towards corporate social responsibility (CSR). CIDA's CSR emphasis is on the kind of corporate behaviour that is consistent with the Agency's mandated goals of poverty reduction and sustainable development in developing and transition countries.

The CSR file is currently under review in CIDA in an effort to thoroughly assess the nature, extent and effectiveness of interventions in policy and program terms. The Agency seeks to define CSR priorities and focus on the most influential paths to pursue. Participation in the *Development Cooperation and Corporate Social Responsibility: exploring the role of development cooperation agencies* conference in Stockholm is timely as CIDA will benefit greatly from exploring the various approaches of other bilateral and multilateral donors.

CSR is a concept with a growing currency within Canada and around the world. If donors are to support the achievement of the Millennium Development Goals (MDG), it is clear that economic growth is essential. But economic growth on its own is not sufficient for addressing the first MDG of halving the number of people living on less than \$1 a day by 2015. What is needed is pro-poor economic growth – growth that actively engages and directly benefits the poor. In July 2003, CIDA launched a policy statement entitled *Expanding Opportunities through Private Sector Development (PSD)*. This policy positioned CIDA to respond first and foremost to the needs and priorities of developing and transition countries.

### *Expanding Opportunities Through Private Sector Development*

While CSR is critical in terms of many other CIDA programming areas such as peace, order and good governance, labour, child, gender and human rights, and environmental assessment and sustainability, at this early stage in the development of CIDA's CSR position, the focus will be on the responsibilities and contributions that economic actors can make to advance the principles of CSR.

The objective of CIDA's PSD policy is to create more, better, and decent jobs and sustainable livelihoods by helping markets to function well and by stimulating the growth of the local private sector in developing and transition countries. CIDA's programming is guided by a vision of sustainable development that recognizes the importance of governance, taking a long-term approach, and achieving the right balance among the social, environmental, and economic aspects of development.

New partnerships and innovative programming approaches are needed to ensure broad outreach and participation in PSD initiatives. To further support CIDA's recognition that sustainable and socially responsible business practices are necessary, the policy statement requires that all CIDA PSD programming contribute to one or more of the following five expected results and the outcome level:

1. Increased incomes and improved productive capacities, including greater control by women over productive assets;



2. Sustainable enterprise expansion and the equitable creation of more and better jobs;
3. Sound and accountable private and public institutions to support well-functioning and competitive local and national markets;
4. An enabling business climate conducive to supporting savings, investment, and the development of socially and environmentally responsive enterprise; and
5. Increased participation in regional and international markets and institutions by developing countries and countries in transition.

In addition, this policy statement introduces a new investigative tool for the design phase of projects that requires a careful examination of the pro-poor, business and governance aspects of an initiative prior to implementation. This allows project officers to determine whether the pattern of growth and its benefits are inclusive of the poor, to understand the constraints to growth on a country-by-country basis, and to identify the institutional, structural and systemic limitations that may impact upon this growth.

#### *CIDA Program Delivery Channels*

CIDA supports PSD initiatives through a number of different programming channels. The Canadian Partnership Branch emphasizes relationship building with Canadian partners through its Private Sector and Voluntary Sector Divisions. The Private Sector Division promotes CSR through its Industrial Cooperation Program (CIDA-INC). CIDA-INC provides partners with financial support and advice to ensure that their investments and operations in developing countries have a positive impact on local joint venture partners, employees and social and economic development needs. The Voluntary Sector Division supports partnerships involving Canadian universities and colleges, nongovernmental organizations, human rights groups, cooperatives and unions, and their counterparts in developing and transition countries.

Programming in the four bilateral branches – Africa and the Middle East, the Americas, Asia, and Central and Eastern Europe – is guided by the Country Development Programming Frameworks (CDPFs) or Regional Programming Frameworks that identify specific programming sectors by country. CIDA's work through its Multilateral Branch focuses on supporting CSR and other work of the IFIs and the UN system, while Policy Branch is the home of the PSD Focal Point Team that is responsible for formulating policies, promoting knowledge and learning, sharing lessons of PSD successes and failures, and representing CIDA in PSD-related donor and consultative fora.

Each of these Branches supports PSD initiatives that align with the Agency's overarching mandate of poverty reduction and sustainable development, and contribute to one or more of the PSD policy's development results. The Agency is currently working to develop an Implementation Plan for the policy that will require country programs to operate within one thematic PSD area: extending the reach of markets; strengthening the financial and non-financial services for small and medium sized enterprises (SMEs); strengthening the financial and non-financial services for micro and small businesses; or, exploring innovative approaches to PSD.

### *Examples of CIDA's Support to CSR*

#### Canadian Partnership Branch:

The Canadian Labour Congress receives funding from the Voluntary Sector Division to strengthen the capacity of developing country trade unions to defend workers rights and promote core labour standards and codes of conduct for industry. The issues addressed through its education programs include child labour and equality or opportunity for women in the labour force.

CIDA-INC supported Placer Dome's Care Project at the South Deep mine in South Africa. The Care Project seeks to provide a more effective and sustainable program to help mine workers generate income, and to help their families cope with HIV/AIDS. Launched in 1999, it provides skill training, enterprise development, microfinance and counseling services, as well as palliative care and prevention activities for AIDS-affected employees or their families. Along with its local partner, The Employment Bureau of Africa, Placer Dome received the World Bank's Development Marketplace Innovation Award for an AIDS Campaign Team Mining project that grew out of this program.

The Voluntary Sector Division supports the “Fairtrade Certification and Education Project (2002/2005)” which aims to provide better economic opportunities to small producers of agricultural commodities in the South, by increasing Canadian consumers’ awareness and demand for fair trade products and by providing an independent certification framework in Canada.

A public engagement campaign entitled “Blood Diamonds are for Never” will directly target private sector decision makers regarding ‘conflict diamonds’ through a consumer awareness campaign that is aimed at diamond investors, retailers of diamonds and the final purchasers of diamonds. Working in close alliance with existing international public policy efforts including the international certification and recommendations of the Kimberley Process, the Canadian Institute for Sustainable Living is working with Friends of the Earth in Sierra Leone to address the environmental and developmental aspects of conflict diamonds and human security.

#### Africa and the Middle East Branch:

In 2003, CIDA supported a conference on “Transparency and Accountability in the Oil and Gas Sector in Nigeria”, organized by private, public and civil society partners to develop an action plan for the oil and gas sector in Nigeria and to introduce the concept of an integrity pact – a binding agreement by all parties on the responsible use of development funds from public and private sector donors.

The Canada Fund for Africa is working in Tanzania, Uganda and Kenya with Transparency International and African Parliamentarians from Parliamentary oversight bodies to assist, train, and provide knowledge on best practices and skills to help counter corruption in their countries. This includes fostering partnerships among African countries to address anti-corruption issues. The Program also sponsors the African Parliamentarians against Corruption (APNAC).

#### Americas Branch:

The Association of Latin American State-Owned Oil Companies (Arpel) Environment Project seeks to improve dialogue and Communication among governments, industry and indigenous groups; strengthen the efficiency and capacity of Arpel corporate members to develop and implement environmental protection practices; and promote a standardized approach to handling such things as oil spills, air quality, environmental auditing and costing towards new emissions reductions issues and other health and safety concerns.

CIDA is currently contributing through the Inter-American Agency for Cooperation and Development (IACD) – an institution of the Organization of American States (OAS) – to the “Promoting Corporate Social Responsibility” initiative that aims to develop local CSR capacity in OAS member states.

#### Asia Branch:

The Confederation of Indian Industry Environmental Management project supports Indian government officials and industry representatives with technical knowledge and skills to address environmental concerns and socially sustainable solutions. The initiative emphasizes policy development, compliance and monitoring with specific gender equality and poverty strategies.

Newmont, a multinational gold mining company approached CIDA’s Private Enterprise Participation (PEP) project in North Sulawesi, Indonesia, last year, to provide technical assistance to its employees at no cost to PEP. The company’s mines were scheduled to close resulting in the unemployment and displacement of its local employees. It was estimated that the closure of this mine would result in a 60% decrease in the gross value of exports for North Sulawesi. Recognizing that virgin coconut oil (VCO) for the fabrication of cosmetics was the other major export from North Sulawesi, Newmont sought new ways to support job creation for its employees. To date, this collaboration has led PEP and Newmont to jointly plan a VCO collection, processing and packaging plant, supplied by 300 independent, home based VCO producers in the area surrounding the former gold mine site.

#### Central and Eastern Europe Branch:

The Agency has supported a project entitled “Controlling Corruption in the Public Sector” in Ukraine that assisted the Ukrainian government to understand the conceptual and practical requirements of developing an efficient strategy to prevent, detect and act against corruption.

CIDA’s Peacebuilding Unit is funding an anti-corruption project in Bosnia-Herzegovina to remove some of the major systemic corruption inhibiting democratic social and economic development.

#### Multilateral Branch:

Canada supports the promotion of international standards and principles for responsible corporate behaviour. As an entity of the Government of Canada, CIDA is committed to supporting the implementation of the OECDs Guidelines for Multinational Enterprises. CIDA has a responsibility to promote the guidelines and

encourages all partners to become familiar with these and respect them. CIDA is a standing member of the National Contact Point Committee for these Guidelines.

CIDA has recently signed a two-year commitment with the World Bank's Global Gas Flaring Reduction Trust Fund (GGFR TF). CIDA will collaborate with the Government of Alberta, through the Alberta Energy and Utilities Board. The GGFR TF is a three year USD \$8 million partnership between governments (Canada, Ecuador, Nigeria, Norway, USA, Angola, Cameroon, Indonesia) and major energy companies (Chevron/Texaco, Exxon/Mobile, Royal Dutch Shell Group, British Petroleum, Sonatrach, Statoil, Norsk Hydro, Total) to determine and disseminate best practices and ideas on implementing and financing gas flaring reductions in developing countries. Gas flaring and venting associated with crude oil extraction contribute to global climate change, while flared gas could be used in efficient electricity generation to meet the energy demands of many developing regions.

Policy Branch:

The Environment Division of Policy Branch has commissioned a paper to examine the linkages among trade in natural resources, aid and security. This paper is intended to offer an initial framework for discussion through the identification of trends, lessons learned and exploring opportunities for future action.

Canada and the UNDP, with CIDA as the Canadian lead, will seek to develop a brokerage mechanism to support two-way information exchanges, linkages and partnerships between private sector actors in developing and developed countries. This initiative stems from the UNDP Commission on the Private Sector and Development's recent Report, which recognizes the need for pro-poor, sustainable economic growth in developing countries in order to achieve the MDGs. Within the context of this report, Canada and the UNDP will seek to support CSR in all exchanges fostered by the brokerage mechanism.

In anticipation of the 2002 World Summit on Sustainable Development in Johannesburg, CIDA co-hosted with DfID two round-tables on CSR and international development to explore common definitions, approaches and opportunities to leverage impact. The first was between donors while the second was with representatives from developing countries. Each session fostered greater communication, awareness and partnerships among parties.

## Denmark - Corporate Social Responsibility in development cooperation

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As an element in its development assistance programmes, administered by the Ministry of Foreign Affairs (Danida), Denmark supports CSR both at the operational level and at the level of building standards and norms. The support goes through a range of channels and it is being strengthened these years. Innovative ways of involving Danish business in developing cooperation have been established with the new initiative for Public Private Partnerships in 2004.

Danish business is a partner in many Danida activities:

- **Traditional projects** (contracts/supplies)
- **Sector programmes** (for example the road sector)
- The **Private Sector Programme** that facilitates partnerships between Danish and local business. It is possible for Danish enterprises to seek support for activities related to human rights, labour rights and equality measures.
- **Mixed credits**
- **Business sector programmes** in Vietnam and Ghana: Human rights and CSR are core elements for example via support to industrial organisations
- **Public Private Partnerships**
- Support to the work of **Danish labour unions** in developing countries

Cooperation with Danish business in Danish development assistance thus dates many years back. During the past decade the business community has gradually shifted its focus from purely contract-related aspects to also supporting the need for developing well functioning private sectors in developing countries as a major engine of economic growth. CSR is increasingly seen as an important issue. Examples are NOVO Nordisk, Aarhus United and House of Prince (Skandinavisk Tobakskompagni).

### *Building norms and standards for Corporate Social Responsibility*

An informal Corporate Social Responsibility contact group has recently been established for representatives of the Foreign Ministry and Danish Industry. The group looks into three areas of possible cooperation:

1. The international efforts to create general guidelines for CSR
2. Promotion of respect for human rights in the framework of Danish development assistance
3. Cooperation to promote human rights in third countries

On the draft UN norms on Trans-national Corporations, Denmark fully supports the underlying principle of CSR. This important issue merits a consensual and cross-regional approach. The draft norms should be seen as but one contribution among many to the continuing discussion of CSR. The Global Compact is making a major contribution to this debate

At the 60th session of the UN Human Rights Commission, Denmark and its EU partners will work for ensuring that the draft norms are placed in a wider

framework. With this objective in mind, Denmark proposes to establish a mechanism (independent expert or a group of experts). This mechanism could be given a mandate to map out the entire CSR agenda, including existing initiatives and practices in this area to inform further consideration of the issue by states.

The Danish Ministry of Foreign Affairs supports the Global Compact Secretariat (3 mio. DKK 2002-03) and through UNDP (2 mio. DKK).

#### *Public Private Partnerships*

As a follow up to the Johannesburg Summit 2002 the Danish Government has launched a new initiative for Public Private Partnerships in 2004. Over the next five years 100 mio. DKK will be allocated specifically to PPP between Danida and Danish business with the aim of creating additional social and economical development in Danidas' partner countries.

The core principle of PPP is that of additionality. PPP activities must be additional to the core commercial activities of the Danish enterprises and it must create tangible added value in development terms. This involves an approximately 50/50 Danida/business contribution to the concrete partnership projects.

PPP activities will be focused in Danida's 15 programme countries in line with the goals and priorities of both Danish development policy and policies of partner countries. Danish enterprises will typically be interested in a partnership with Danida in relation to existing commercial activities in developing countries.

One area of activity will be capacity building in the area of Corporate Social Responsibility in local business communities in cooperation with the Danish Institute for Human Rights and Danish Industry.

This bilateral initiative supplements the Danish financial support to the UNDP Danish Pilot Business Outreach with the aim of establishing partnerships between UNDP and Danish enterprises in development cooperation. Together with Danish Industry, the Danish Ministry of Foreign Affairs is active in the reference group concerning this initiative.

## The European Commission and the European Multi Stakeholder Forum on CSR: the Development Roundtable

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The European Commission launched in September 2002 an implementation strategy with respect to Corporate Social Responsibility (CSR) following the July 2002 adoption of a specific Communication.<sup>1</sup>

To this respect, a CSR Stakeholder Forum was officially launched on 16 October 2002. The Forum promotes CSR through fostering a dialogue between the business community, trade unions, civil society organisations and other stakeholders (44 member organisations plus 10 observers).

The CSR Forum has the specific aim of raising awareness on and possibly promoting CSR practices and instruments, taking into account existing EU initiatives and internationally agreed instruments such as the OECD Guidelines for Multinational Enterprises and the LO Core Labour Standard conventions.

The work of the Forum is organised through four area-based Round Tables, addressing the following themes:

- improving knowledge about CSR and facilitating the exchange of experience and good practice;
- fostering CSR among Small and Medium-sized Enterprises (SMEs);
- diversity, convergence and transparency of CSR practices and tools;
- development aspects of CSR.

The Directorate General for Development is among the supporters of the initiative, together with the Trade and Environment Directorates General. The international dimension is considered by all the round-tables as a crosscutting issue but it is in particular examined by the Development Round-table. Different Corporations, business networks, trade unions, environment and social NGOs are participating actively. In that context thematic areas such as health, core labour standards, governance, social dialogue, financial transparency, implementation of the OECD Guidelines for Multinational Enterprises were investigated mainly through multi-stakeholder presentations.

The CSR Forum is a "stakeholder consultation exercise" this means that the Commission is in charge of facilitating the debate and the process of discussion among all the different actors.

The Forum shall present before summer 2004 a report about its work to the European Commission, which shall then assess its results, and decide on its follow-up. Obstacles, drivers and success factors in the context of the Development Roundtable will be properly analysed in the final Report.

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<sup>1</sup> Corporate social Responsibility: a business contribution to Sustainable Development, COM (2002) 347.

## GTZ and corporate social responsibility

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Public-Private Partnerships are financed through funds provided by the German Federal Ministry for Economic Cooperation and Development (BMZ). PPP projects between GTZ and companies are jointly planned, financed and implemented. GTZ contributes staff and/or funding to the projects. As a government-owned enterprise for international cooperation, GTZ is active in more than 120 countries around the world. It has offices in more than 60 countries in Asia, Latin America, Africa, Eastern and South-Eastern Europe and the Commonwealth of Independent States. GTZ thus supports complex development and reform processes and contributes to sustainable development worldwide, largely on behalf of the Federal Government of Germany. Approximately 11,000 GTZ experts offer wideranging expertise and extensive experience in several areas. Advisers on site maintain close contact with governments, authorities, institutions and organisations in their host countries. When used appropriately within the framework of a Public-Private Partnership, these competencies and contacts can significantly accelerate private companies' success, or even enable them to become active in the first place.

Since 1999 Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) has been supporting private companies' long-term activities in developing countries through Public-Private Partnerships. Behind these partnerships stands the conviction that if both parties pool their resources, they can achieve their respective objectives better, faster and at lower cost. Above all, small and medium-sized enterprises that are active in developing and newly industrialising countries currently enjoy the benefits of the PPP programme. Whether training experts on location, entering new markets using technology and knowhow, or improving the quality of locally produced goods, the programme offers a wide range of opportunities. Private-sector investment creates jobs, enhances know-how and generates income for the people in the region. This is precisely the goal of German cooperation with developing countries.

Four criteria must be met before GTZ can contribute to a PPP project: The projects must have solid economic and development-policy objectives while making a tangible contribution in the partner country. The scope of the project must extend beyond the company's core business, as PPP contributions are not subsidies. The partner companies must bear a significant proportion of the project costs, generally at least 50 per cent. The projects must be in line with the German government's development policy guidelines (more information on countries and sectors is available upon request). Interested companies may submit their project proposals informally to GTZ's Center for Cooperation with the Private Sector. Our project managers are also happy to discuss any plans in an initial meeting.

In the first five years of the PPP programme, in cooperation with German companies and associations, GTZ launched some 300 projects in around 70 countries worldwide. Public private partnerships are possible with virtually all kinds of companies, whether large, medium or small, and work in practically all economic sectors. More than 120 million euro was allocated to these projects, with a public contribution of approximately 40%.



The success of previous development partnerships with the private sector has prompted GTZ to increasingly involve private-sector companies in general technical cooperation (TC) with developing countries. This will enable private-sector business activities to be conducted in parallel with TC projects as part of PPP measures. Private-sector companies can thus benefit directly from government arrangements between the Federal Republic of Germany and its partner countries. In addition, strategic alliances with companies and business associations are viewed as a suitable vehicle for launching long-term, broadly based measures that take into account both the companies economic interests as well as the development policy objectives of TC.

## How Sida promotes responsible business practices

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“Sida contributes towards corporate social responsibility in many different ways, but has, as yet, not called it CSR.”

Inger Axell, Sida-Policy, February 2004

### 1. Introduction

This overview of how Sida promotes corporate social responsibility is a summary of the report *How Sida promotes responsible business practices*<sup>2</sup>.

Is Sida promoting corporate social responsibility (CSR)? Yet, quite a lot, although it may not call it CSR. It is recognized that many developing countries struggle to implement environmental, labour and human rights conventions. This is for a range of reasons, perhaps most importantly because of a lack of capacity within both the public and private sectors. A lack of capacity that Sida can help to address.

In its aim to reduce poverty, Sida has recognized the importance of, for example, good governance and private sector development (PSD). As a consequence of its work and these and other areas, Sida also contributes to an enabling environment for responsible business practices. This is often done through projects that may have main aims other than the promotion of responsible business practices. Clearly the link between each of Sida’s operational areas and responsible business practices varies greatly but much of what Sida does has some bearing on the ability of companies to operate in a responsible manner.<sup>3</sup>

### 2. Sida promoting responsible business practices – a part of core policy

The need to promote responsible business practices has been specifically addressed in a request for new guidelines for Sida’s activities. In the Swedish Government’s allocation decision for 2004, it requested Sida to establish guidelines for its continued involvement in issues concerning CSR.<sup>4</sup>

More broadly, the Swedish Government and Sida are strong supporters of the Millennium Declaration. The Millennium Development Goals together with the human rights conventions provide organizing frameworks for Sida’s activities.<sup>1</sup> The Goals are being used both by the Ministry for Foreign Affairs and Sida to create awareness and support for development efforts, and to generate public interest in international development issues. These Goals will not be met without the active involvement of the private sector.

The Prime Minister Goran Persson has also demonstrated the Swedish Government’s willingness to engage with the private sector and promote responsible business practices. In March 2002 he launched the initiative Global Responsibility, which aims to create awareness in Swedish companies about international codes and standards, and ensures the respect for human rights, and

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<sup>2</sup> Sida March 2004

<sup>3</sup> Sida divides its international development cooperation into the following operational areas: democratic governance and human rights; social sectors; infrastructure, private sector development, urban development and financial systems; natural resources and the environment; economic reform; research cooperation; humanitarian assistance and conflict prevention; and non-governmental organisations.

<sup>4</sup> Regeringsbeslut 1003-12-18, regleringsbrev for budgetaret 2004 avseende Stryrelsen for internationellt utvecklingssamarbete.

the contribution towards sustainable development. In short, it is a national manifestation of the UN Global Compact.

### **3. Examples of Sida projects involving the responsible business practices, listed by operational area**

Sida supports thousands of projects each year, and it would be near impossible to establish whether there were any elements in each of them that in one way or another, contribute towards responsible business practices. Many larger technical assistance programmes seeking to improve good governance in host government institutions are examples of efforts that, *inter alia*, create an enabling environment for responsible business practices. Sida is a considerable donor to a large number of multinational and regional organisations, which may run relevant projects.

#### **3.1 Democratic governance and human rights**

Good governance is fundamental to the creation of an enabling environment for responsible business practices. Without effective and democratic public governance to endorse and support their actions, it is extremely difficult for companies to act in a responsible manner. Sida works together with governments, NGOs and other organisations to promote good governance and fight corruption. The promotion of the respect for human rights is fundamental to many of Sida's projects. In collaborating with trade unions and ILO, Sida provides considerable support to the furthering of core labour standards. Sida funds organisations such as Anti-Slavery International in their work to fight forced labour as well as child labour and trafficking of human beings.

The Swedish Government, including Sida, actively participate in the global development of rules and regulations. Many of the instruments that have been developed are designed to improve the regulatory framework for private sector activities in developing countries. An example of this is the OECD's Guidelines for Multinational Enterprises. Although the funding comes from the Swedish Ministry for Foreign Affairs and not from Sida, and thus could be considered to fall outside the remit of this summary, the Swedish government is one of the countries that makes the largest financial contributions towards the UN Global Compact ([www.unglobalcompact.org](http://www.unglobalcompact.org)).

#### **3.2 Social sectors**

Even in these areas traditionally held to be the responsibility of the public sector, Sida has increasingly been supporting partnerships with the private sector seeking to address social challenges. Sida for example supports Unicef's work, which includes working with the private sector to reduce child labour.

Public-private partnerships can be effective mechanisms to deliver social services such as health and education, and can be a way for the private sector to contribute to social needs. While these partnerships can be difficult to manage, the complementary skills and resources of the public and private sectors can achieve more together than in isolation. One example is the Global Fund to fight Aids, Tuberculosis and Malaria.

### **3.3 Infrastructure, private sector development, urban development and financial systems**

#### **3.3.1 Infrastructure**

*The Global Village Energy Partnership – global PPP to promote access to energy*

The Global Village Energy Partnership was launched as a so-called type 2 initiative at the World Summit for Sustainable Development in Johannesburg 2002 and came out of the World Bank lead Village Power project. A technical secretariat was created with the purpose of coordinating, brokering and facilitating partnership activities that seek to provide electricity including heating, cooling and cooking to the world's poor.

*Integrity pact as a condition of loan-making - credit to construction work in Bangladesh*

Sida is considering providing a credit to the Swedish construction firm NCC, for a construction project in Bangladesh. As part of the conditions for the credit, Sida has stipulated that integrity pacts need to be used. Integrity pacts are relatively new kinds of agreements that have been spearheaded by the NGO Transparency International. The basic concept is that all the bidders on a public contract enter into an agreement committing to transparency in commissions paid, and undertake not to pay any bribes. For further information about integrity pacts, see [www.transparency.org/integrity\\_pact/index.html](http://www.transparency.org/integrity_pact/index.html).

#### **3.3.2 Private Sector Development**

Private sector activities often contribute towards the reduction of poverty, because they tend to lead to economic growth: to investments being made, to jobs being created, staff trained and infrastructure built. Many PSD-activities will not only promote the growth of the private sector, but also improve the standards adhered to and private companies' understanding that it is often in its business interest to act responsibly and safeguard, for example, good working conditions. It is through its private sector development work that Sida has some of the most direct opportunities to support more responsible business practices.

*Start and Improve Your Own Business, Expand Your Own Business – enterprise development leading to responsible business practices*

25 years ago Sida started to develop training programmes for entrepreneurs in developing countries. The running of the programmes was later taken over by the ILO but Sida continues to fund "Start and Improve Your Own Business" and "Expand Your Own Business".

*The International Council of Swedish Industry (NIR) – industry organizations working together to raise standards*

The International Council of Swedish Industry (NIR) is affiliated to the Confederation of Swedish Enterprise and strives to improve the collaboration between Swedish companies and the private sector abroad. NIR has, with the support of Sida, run business development programmes in many developing countries. Promoting high ethical standards has been an integral part to many of NIR's activities.

[www.nir.se](http://www.nir.se)

#### **3.3.3 Urban Development**

*Sida's Urban Transport Policy – working together with city councils and private companies to improve urban transportation*

Sida's policy for support to urban transport is an example of how Swedish development assistance could benefit from cooperating with actors in Swedish society in the fight against the severe urban transport problems in developing countries. Sida's policy was developed in close cooperation with representatives from transport research, public authorities, consultants and the vehicle industry in Sweden. The policy is based on international and Swedish experience, and in particular on positive examples of cities in developing countries which have managed to create well functioning public transport systems. Swedish actors play important roles in the implementation of the policy.

www. <http://www.sida.se/Sida/articles/5900-5999/5957/urbtra.pdf>.

### **3.3.4 Financial Systems**

*Global Corporate Governance Forum (GCGF) – building private governance capacity*

The Global Corporate Governance Forum is a joint OECD and World Bank project that provides analysis, facilitates dialogues and commissions research on corporate governance. It was established in 2001, is housed in the World Bank's Private Sector Advisory Services Department and is funded by a small group of donors, including Sida. Corporate governance and corporate responsibility are in many ways mutually reinforcing. [www.gcgf.org](http://www.gcgf.org)

*Foreign Investment Advisory Services (FIAS) – building the enabling environment*

FIAS' activities seek to promote foreign private investment in developing countries by improving the local legal and institutional framework. Cutting red tape, transparency and anti-corruption efforts have been important themes of its activities. FIAS is a good example of how activities that primarily seek to promote private sector development also contribute to the enabling environment for responsible business practices. Like GCGF, FIAS gets its funding from a World Bank trust fund, to which Sida contributes.

### **3.4 Natural resources and the environment**

Sida runs extensive agricultural programmes. Although these tend not to be designed with the purpose of promoting responsible business practices, many of them seek to improve, for example, environmental standards amongst small-scale farmers, and through acting responsibly themselves demonstrate how this can be done.

Many valuable natural resources are located in remote, poorly-governed areas where land rights may be unclear. There may be a risk of conflict and other forms of social instability can be found. This has driven companies in the natural resources sector to develop policies and practices at the leading edge of corporate social responsibility. Through working in this area in particular Sida can identify and promote responsible practices. Much of the work Sida has funded regarding the role of the private sector in zones of conflict relate to natural resources.

### **3.5 Economic reform**

The development of a sound macro-economic framework that encourages a free market while implementing the necessary checks and balances is of crucial

importance to the implementation of responsible business practices. Sida is actively involved in economic reform programmes in a number of countries.

### **3.6 Research cooperation**

Research and training (capacity building) are fundamental enabling factors for responsible business practices to occur. They lead to more business managers and their partners around the world understanding and implementing responsible business practice standards. Sida funds organisations that, for example, research labour rights and that further the understanding of the relationship between corporate social responsibility and sustainable development. Organisations receiving support from Sida include the International Institute for Environment and Development (IIED).

### **3.7 Humanitarian assistance and conflict prevention**

There has been an increasing recognition of the role the private sector can play in preventing conflicts and in conflict resolutions, partly as a risk management issue, but increasingly as a form of positive value creation. Sida gives support to NGOs that research, and collaborate with the private sector in this area. Organisations receiving support from Sida include International Alert.

### **3.8 Non-governmental organisations**

As part of its considerable support to NGOs, Sida is supporting organisations that promote responsible, or, as the case may often be, advocate against irresponsible business practices. The support to some NGOs is described elsewhere in this study. Here are some examples of contributions from Sida to organisations that are engaged in advocacy. These NGOs work to improve the impact of private sector activities in developing countries by gathering information and undertaking analysis about their activities. Sida provides support to for example Global Witness.

### **3.9 International Training Programmes**

Sida has a long-standing and extensive programme of providing training, often in Sweden, of managers from the public and private sectors of developing countries. Many of the programmes promote high business standards, and it is through these and other capacity building efforts that Sida makes amongst its most significant contributions to the promotion of responsible business activity, and to its enabling environment. Some examples of these programmes are: Forest Certification; Mining and the Environment; World Trade, Conformity Assessment and Quality Infrastructure Development; and Intellectual Property Rights for the Least Developed Countries. Following the trend of increased interest in Corporate Social Responsibility, participants of programmes like Applied International Management have increasingly expressed the desire to learn more about CSR during the course.

## The Netherlands and Corporate Social Responsibility

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### Government arrangements

Each department has its own issues on Corporate Social Responsibility (CSR<sup>5</sup>). The ministry of Economic Affairs acts as a co-ordinating department. The ministry provides a platform for interdepartmental exchange of views. All other ministries are invited to attend these meetings. Especially the following ministries are very active within this structure: Developing Co-operation; Housing, Spatial Planning and Environment; Social Affairs; Agriculture, Nature and Food Quality; Interior and Kingdom Relations. This makes CSR-policy in the Netherlands a true reflection of people, planet and profit.

### Discussion in the Netherlands

CSR has been high on the agenda of the civil society, media, and parliament in the Netherlands. Some of the following elements dominated the discussion in the last years:

- the role of the government – stimulating CSR by regulation or voluntary principles
- transparency and improvement of annual reporting
- making the supply chain sustainable and stimulate CSR in the chain
- sustainable consumption and production
- the organisation of stakeholder dialogue
- self-enrichment of managers/CEO's
- accounting issues
- labour circumstances in developing countries
- the effects of globalisation on sustainability

To facilitate the discussion and to actively promote CSR, the Dutch government has set out a general policy. The basis for the policy is the report that the Socio-Economic Council (SER) has written in 2000 “Corporate Social Responsibility, A Dutch approach”. The SER was asked by the Dutch government to prepare an advisory report on CSR. The report was used to develop some principles for CSR policy over the last years.

### General philosophy: the government as an agent for change

No laws and regulations. No finger pointing, no large amounts of money, either. The Netherlands believes in different ways of seeking and promoting partnership. A government to take the role of the agents for change, bringing different parties together and inviting them to engage in innovative co-operation. To accomplish this a good structure for exchange of ideas is needed. Constructive dialogue within ministries and with civil society (business, labour unions, NGO's) has been the foundation for the Dutch government to address the issues.

### Focus on

#### *Raising general awareness*

- Research programmes.

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<sup>5</sup> In the Netherlands the discussion on Corporate Social Responsibility (CSR) includes a broad view on people, planet and profit. The word Social in the acronym is therefore interpreted broader than labour issues.

- Partnerships are being stimulated between local authorities and businesses.
- In co-operation with stakeholder parties the Dutch government organises an increasing number of (interactive) activities that focus on CSR, e.g. the “CSR stimulation award” for companies in the Dutch agribusiness and food industry.

#### *Transparency*

For example, the ministry of Economic Affairs supports the CSR platform of NGO's. This platform has formulated a CSR reference framework for entering into dialogue with the business world. In co-operation with food processing companies the ministry of Agriculture, Nature and Food Quality has founded a “Platform Transparency and ICT” to increase transparency in the Dutch food supply chain. The ministry of Environment has put CSR as an issue on the agenda of their regular meetings with business representatives and NGO's. In October '03 the Council for Annual Reporting issued an advisory report on producing social annual reports. This report lends an important stimulus to the quality of annual reporting in the Netherlands. Lessons can be learned from instruments developed by the ministry of Environment for environmental reporting.

#### *Partnerships*

- The Dutch government believes that it is important to encourage the Dutch private sector to work with its counterparts in developing countries and to make partnership the basis for initiatives in the field of CSR and businesses working against poverty. This will be a regular item in the programme of trade missions.
- The ministry of Economic Affairs and the ministry of Development Co-operation are working on a strategy of poverty reduction in developing countries (OTA). Partnerships and CSR are strong instruments in this area.
- The ministry of Development Co-operation stimulates the promotion and implementation of CSR in developing countries. NGO's and labour unions are supported to raise awareness of CSR within their network of partners in developing countries. The ministry also supports projects that stimulate fair trade, e.g. campaigns of the Fair Trade Organisation or the “Worldshops”.

#### *Doing business abroad*

- More and more businesses are engaging in activity abroad. In doing so, they are frequently coming across the opportunity to convert problems into business opportunities. In this area the OECD Guidelines for Multinational Enterprises play an important role. The Dutch government considers the OECD Guidelines to be an established body of principles dealing with responsible business conduct.
- Questions concerning the use of the OECD Guidelines can be asked at the National Contact Point. In the Netherlands, The NCP is an interdepartmental committee chaired by the ministry of Economic Affairs. The NCP holds meetings with the social partners (business community and employee organisations) and NGO's. These meetings provide input for the position of The Netherlands in the OECD. (The NCP website: [www.oesorichtlijnen.nl](http://www.oesorichtlijnen.nl) )
- Every company that applies for an export subsidy receives a brochure from the ministry of Economic Affairs about the OECD Guidelines. Moreover, we require all export credit insurance applications to be accompanied by a declaration that the applicant is familiar with the OECD Guidelines. Project proposals must also be



accompanied by paragraphs on labour situation, anti-corruption policy and environmental risks of the project.

*Behaviour of government*

- Government has the duty to set a good example. After all, the government buys products and services, and regularly outsources work . Within the government, ethical purchasing and outsourcing is still in its infancy but new policies are being developed.
- Parliament is informed about the activities on CSR each year.

## UK Department for International Development and corporate social responsibility<sup>6</sup>

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We support initiatives that promote corporate social responsibility practice in ways that reduce poverty and support growth. Some of these initiatives are set out below. We also work across Whitehall and with other development agencies to ensure more coherent and poverty-reducing international action on corporate social responsibility.

**The Ethical Trading Initiative (ETI):** This alliance of UK retail companies, non-government organisations and trade unions works to improve labour conditions in country supply chains of its corporate members delivering goods to consumers in Britain. We helped to set up the ETI in 1998 and have supported and worked closely with it since then. The combined annual turnover of corporate members amounts to over £100 billion and is expected to rise significantly as more large UK companies sign up to join. The employment standards adopted by ETI members are international standards that come from the Core Conventions of the International Labour Organisation. ETI members visit their suppliers, identify conditions that do not meet the ETI Base Code, and then plan improvements in agreement with their suppliers. Members also take part in projects that aim to test out techniques of implementation and monitoring of the Base Code. Examples of these projects include the wine industry in South Africa and horticulture in Zimbabwe.  
[www.ethicaltrade.org](http://www.ethicaltrade.org)

**Extractive Industries Transparency Initiative:** See box 1. At the World Summit on Sustainable Development, in Johannesburg 2002, Tony Blair called upon natural resource rich governments, extractive companies, international agencies and non-government organisations to work together to promote transparency of payments in the extractives industry. The Extractive Industries Transparency Initiative aims for openness in the payments by companies to governments and government-linked entities, as well as transparency in revenues by host country governments.  
[www.dfid.gov.uk](http://www.dfid.gov.uk)

**Business Partners for Development (BPD):** Between 1998 and 2002, BPD (led by the World Bank) has studied, supported and promoted examples of businesses, civil society and governments working together to develop communities around the world. The BPD programme showed that these ‘tri-sector partnerships’ can benefit the long-term interests of businesses while meeting the social goals of civil society and the government by helping to create stable social and financial environments.  
[www.bpdweb.org](http://www.bpdweb.org)

**Developing country government capacity for corporate social responsibility:** This project is funded partly by us and managed by the World Bank. The purpose of the project is to build the capacity of governments in developing country to set up frameworks to encourage corporate social responsibility and to develop voluntary codes and standards related to sustainability. The project aims to build on the

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<sup>6</sup> This text is adapted from *DfID and corporate social responsibility*, available from [www.dfid.gov.uk](http://www.dfid.gov.uk)

lessons learned and tools developed through Business Partners for Development.  
[www.worldbank.org](http://www.worldbank.org)

Poverty elimination, competitiveness and corporate responsibility: We are supporting work by AccountAbility to carry out research into on the links between poverty elimination, competitiveness and corporate responsibility. This project will also look at the public policy implications of corporate responsibility, and help build international capacity to address these issues. [www.accountability.org.uk](http://www.accountability.org.uk)

Just Pensions: Just Pensions was set up after the UK Pensions Act amendment in June 2000, under which all occupational pension funds must state the extent to which they take account of social, environmental and ethical issues in their investment decisions. Just Pensions is a learning and advocacy institution aimed at promoting the links between these socially-responsible investment decisions and international development and to encourage trustees to use their influence to persuade fund managers to invest in socially responsible enterprises, which benefit the poor. We are funding a three-year programme focusing on engagement and advocacy, research and dissemination, trustee training, European engagement and public-policy change. [www.justpensions.org](http://www.justpensions.org)

Pro-poor Investment Reporting: We have funded research carried by Emerging Market Economics, on how to measure and report the contribution businesses make to reducing poverty. We are also funding further work to develop sector-by-sector reporting guidelines on poverty impact. [www.emergingmarkets.co.uk](http://www.emergingmarkets.co.uk)

Business Links Challenge Fund (BLCF): The BLCF awards grants to enterprises that help develop sustainable business links with companies in developing countries. [www.challengefunds.org](http://www.challengefunds.org)

Financial Deepening Challenge Fund (FDCF): The FDCF awards grants to private sector financial institutions that are committed to increasing access to financial services for the poor and businesses that employ the poor. [www.challengefunds.org](http://www.challengefunds.org)

Fair Trade: We have supported Fair Trade initiatives for a number of years, through direct support to the Fair Trade movement, development education in the UK, and its overseas programmes. [www.fairtrade.org.uk](http://www.fairtrade.org.uk)

Projects in Developing Countries We support several projects in developing countries that deal with corporate social responsibility issues unique to that area, and we pass on any lessons learnt to the wider business audience. NEPAD Business Group in Africa: We provide funding for a joint project between the Commonwealth Business Council and New Partnership for African Development (NEPAD) to encourage the private sector to work with the NEPAD programme of action, and stimulate the increased domestic and foreign investment required for NEPAD to succeed. [www.nepad.org](http://www.nepad.org)

Kenyan Business Partnerships Programme (BPP): BPP focuses on improving productive opportunities and living conditions for the poor by supporting the development of corporate social responsibility and promoting ethical trading. This

programme, funded by us and run by the Kenya Federation of Employers, encourages businesses to incorporate corporate social responsibility principles into their core business processes and to carry out corporate social responsibility audits. [www.dfid.gov.uk](http://www.dfid.gov.uk)

Chinese State-Owned Enterprise Restructuring and Enterprise Development Project: This project aims to develop and facilitate the replication of effective approaches to socially responsible state-owned enterprise restructuring and enterprise development as a contribution to poverty reduction in China. The project builds up the understanding and capacity to operationalise corporate social responsibility in the Chinese context. [www.dfid.gov.uk](http://www.dfid.gov.uk)

International Alert's Business and Conflict Project in Azerbaijan: We provide funding for International Alert's work in Azerbaijan to promote peace through the practices, principles and policies of extractive multinationals in partnership with international agencies, governments and civil society. [www.international-alert.org](http://www.international-alert.org)

## USAID Overview

Since its founding in 1961, USAID has been the principal U.S. Agency to focus on international development. USAID supports a range of activities related to responsible business practices such as greening the supply chain, analytic work on business and conflict, participation in the voluntary principles for human rights and security, and support to trade associations. USAID grants approximately \$14 billion in official development assistance funds each year through an extensive network of approximately 80 overseas missions.

## The Global Development Alliance

The Global Development Alliance (GDA) was launched by U.S. Secretary of State Colin Powell in May 2001 as an initiative to promote public-private alliances to address international development challenges. GDA is a new business model which works to enhance USAID's development impact by mobilizing the ideas, efforts, and resources of the public sector with those of the private sector and non-governmental organizations.

Official Development Assistance (ODA) currently constitutes only 14% of total U.S. funding flows to the developing world and funding from private sources has been increasing dramatically. Corporate social responsibility is one of the driving motivations in partnership formation. USAID's work has focused on forming operational partnerships that allow corporations to bring forward their core assets and achieve the highest sustainable development impact through their investments in people, communities and environments in developing countries and emerging markets.

Over the last two years USAID has funded over 200 new or expanded alliances into which we have invested close to \$500 million and leveraged over \$2 billion of private resources.

We have found that motives for participating in an alliance vary from partner to partner, and alliance to alliance. Often it is a combination of CSR concerns and commercial interests that drive companies to work with USAID. Experience has shown that private partners appreciate the access and understanding of communities and cultures in the developing world that USAID brings to public-private alliances.

Under the GDA model, USAID collaboratively creates alliances that:

1. Bring new partners to the development challenge (and engages current partners in new ways);

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<sup>7</sup> For further information on the partnership activities of the Global Development Alliance, see *The Global Development Alliance: expanding the Impact of Foreign Assistance through Public-Private Alliances*, USAID, 2003

2. Leverage significant resources (at least 1:1); and
3. Jointly define development problems and solutions, mobilizing new ideas in support of shared objectives.

### *Lessons Learned*

Two years is a relatively short time to test a new concept, and clearly too short to be able to measure development impact, but we can offer some preliminary observations.

Strategic alliances offer great promise but are not an effective tool to meet all development needs. We have seen particular promise in alliances which are partnering producers and buyers along a supply chain, such as is the case in USAID-supported alliances in the timber, coffee, and cocoa sectors. We have also seen promising partnerships in information technology-based skills training, vaccine research, and treated bednet distribution. A few high-profile partnerships between extractive industry and the communities in which they operate, to ensure socially and environmentally responsible operations, are also progressing well. Opportunities for strategic alliances in areas such as public sector reform and institution building may be more limited. We also believe that country conditions are crucial to the success of any alliance, and an alliance cannot be expected to thrive in a policy environment that is not business-friendly.

There is no “one size fits all” approach to building and managing alliances. The best governance structure for one alliance will not necessarily be most effective for another. GDA has learned that it is crucial for all of the partners to clearly define and record their mutual expectations and the roles and responsibilities for each, outline how they will monitor if those are being met, and agree on how problems will be solved as they arise.

Alliances are relationship-based, and require a degree of trust and understanding that only comes with direct and honest communication about the needs and motivations of each partner. The best alliances are those where all partners feel ownership by participating actively in the planning from the outset.

Alliances take time to build. This makes alliances very management-intensive, at least in the earliest stages. Managers should invest their time and attention in alliances where there is promise of significant development impact, and take that into consideration in making decisions on funding, scale, and strategies for follow-up to successful pilot activities.

Designing monitoring and evaluation into alliance planning deserves special mention, in part because of the added complexity of designing around multiple partners’ goals and information needs.

## USAID: HIV/AIDS Public Private Partnerships

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Since inception of its HIV/AIDS program in 1986, the U.S. Agency for International Development has spent over \$3.2 billion in the fight against the pandemic. This makes USAID the world's largest donor for HIV/AIDS. In order to translate this funding into action, USAID collaborates with a wide array of partners including local companies and multi-national corporations in developing countries. With effective coordination, these public-private partnerships can significantly expand quality HIV/AIDS prevention, care, and treatment interventions.

On January 28, 2003 the announcement of the \$15 billion President's Emergency Plan for AIDS Relief was made, expanding and redefining USAID's mandate in HIV/AIDS. Bush's five year plan is highly focused to achieve the goals of treating at least two million HIV-infected persons with anti-retroviral therapy, caring for 10 million persons infected with or affected by HIV, including orphans and vulnerable children, and preventing seven million new infections.

In order to reach these targets, public-private partnerships will be essential and USAID is actively seeking to strengthen existing collaboration agreements and expand to new partners in this fight.

Many companies in the developing world already dedicate significant resources to health and education programs, including HIV/AIDS. Health, however, is generally outside of their area of specialty and USAID can bring significant benefit through the state of the art in technical guidance. Collaboration also provides corporations with the opportunity to cost share with the U.S. government.

USAID views public-private partnerships as an opportunity to work with organizations that already have an established infrastructure and reach in the communities where they work. Enhanced coordination reduces bottlenecks and increases a country's absorptive capacity. Additionally, collaboration increases the sustainability of USAID's efforts in prevention, care, and treatment of HIV/AIDS. Finally, USAID can potentially benefit by having access to a company's core competencies.

### **Examples of existing public-private partnerships:**

**Coca-Cola**—USAID is proud to partner with the Coca-Cola Company, the largest private sector employer on the African continent, working in 56 of 57 countries. The alliance supports HIV/AIDS prevention, care, and treatment for Coca-Cola Bottlers' employees and families. The alliance also supports initiatives for orphans and other children affected by AIDS, including job creation for these groups in countries such as Ethiopia and Namibia.

Coca-Cola has also contributed some of their core competencies to the fight against HIV/AIDS including the loaning of marketing executives to assist in shaping effective AIDS prevention messages. Additionally, Coca-Cola has contributed their

extensive trucking distribution network to disseminate AIDS related commodities, including prevention pamphlets.

**Micro-enterprise**—USAID is working to link micro-enterprise initiatives in South Africa with U.S. businesses. This helps create income for HIV positive mothers.

**Heineken-Ghana Breweries**—the company committed itself to provide antiretroviral therapy to its HIV positive employees. With funding from the U.S. and Dutch governments, community medical facilities were strengthened to provide these services to the employees as well as to the general community. They also developed a scheme to include antiretroviral therapy in existing private sector insurance plans.

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