

Business and MDGs

# Business Engagement for Governance

Background Report for the  
12<sup>th</sup> International Business Forum 2007  
8 - 10 October 2007, Washington, DC



[www.businessandmdgs.net](http://www.businessandmdgs.net)

## Business and MDGs



This Report was prepared by a team from Inspiris Limited, including Zahid Torres-Rahman, Hester Le Roux, Susanne Turrall and Anna Guthrie. We would like to thank the companies who supplied case study information and gave their views on the themes covered in the Report. For more information on Inspiris, visit [www.inspiris.co.uk](http://www.inspiris.co.uk)

# Business Engagement for Governance

"Business and the rules of the game:  
from rule-takers to rule-makers?"

Dedicated to Robert Davies (1951-2007), CEO of the International Business Leaders Forum and speaker at the 11<sup>th</sup> International Business Forum, Bonn, Germany, 2006.

# Contents

|   |    |
|---|----|
| Preface   | 3  |
| 1. Overview   | 4  |
| ▪ Responsible Business: the Key to the MDGs                                     | 5  |
| ▪ A New Role for Business: Global Issues and Global Rules                       | 5  |
| ▪ This Background Report  | 5  |
| 2. G8 2007: Putting “Responsible Business” Centre-Stage                         | 6  |
| 3. A New Role for Business: Global Issues and Global Rules                      | 10 |
| ▪ Anti-Corruption and Ethical Business Conduct                                  | 15 |
| ▪ Climate Change  | 30 |
| 4. Drivers for Change: What Factors Have Been Driving this Business Engagement? | 42 |
| ▪ Business and Society: Business Engagement Expected                            | 42 |
| ▪ Nature of the Challenges: Business Engagement Needed                          | 42 |
| 5. The Implications for Policy Makers and for Business                          | 45 |
| ▪ Implications for Policy Makers  | 45 |
| ▪ Implications for Business   | 50 |
| Bibliography  | 51 |
| Annex 1   | 55 |
| Annex 2   | 59 |
| Endnotes  | 65 |

## Preface

Dear participant of the 12<sup>th</sup> International Business Forum (IBF),

On behalf of InWEnt, Capacity Building International, Germany, and the World Bank Institute (WBI), we look forward to welcoming you to the 12<sup>th</sup> IBF, to be held in Washington, D.C. on October 8-10, 2007.

Over the last 12 years of the IBF, we have come a long way in addressing the challenges and opportunities for the private sector in contributing to growth and development. Our dialogues to date have shown there is agreement that corporations should not only live up to their "social responsibility" but also to their "global responsibility". Globalisation has brought global opportunities to businesses, but also responsibility for engaging in tackling global issues. The "global governance" architecture - the framework of rules and incentives - is in many respects still under construction and there is no single actor that can design and enforce the rules of the game.

*Business engagement in global governance* makes good business sense when the opportunity cost in absence of viable governance frameworks exceeds the cost of engagement (see page 43). This is clearly the case in the two focal topics of this year's Forum: business action on climate change and private sector roles in combating corruption.

The Forum and its participants from all over the globe have been at the cutting edge of the debate.

Luiz Ramalho  
*Director, Sustainable Business Environment,*  
InWEnt - Capacity Building International, Germany

In 2005, when the 60<sup>th</sup> General Assembly of the United Nations took stock of the progress made towards the Millennium Development Goals, the 10<sup>th</sup> IBF met in New York and highlighted examples of *poverty alleviation as a businesses opportunity*. Last year's IBF emphasized the importance of business development in Africa, linking to the themes of the "MDG+5 Summit" and the UK-led 2005 G8. This year, the IBF again offers business perspectives on issues that are highly relevant for the international agenda, including the Germany-led G8 process in 2007 and this year's Annual Meetings of the IMF and World Bank.

During the Forum, we will hear examples of innovative business-led approaches. As organisations committed to capacity development, WBI and InWEnt will be looking forward to sharing learnings from these initiatives, and foster dialogue on how the private sector can help improve the "rules of the game" of today's globalised business environment in partnership with government, civil society and multilateral institutions.

We wish you all the best success for the 12<sup>th</sup> International Business Forum 2007.

Sincerely,

Erich Süßdorf  
*Chairman, 12<sup>th</sup> International Business Forum*

Djordjija Petkoski  
*Head, Business, Competitiveness & Development*  
World Bank Institute

# 1. Overview

“Shared goals, from market-building to environmental protection and social inclusion, have enabled us to build unprecedented partnerships among business, Governments, civil society, labour and the United Nations....We are partners in the understanding that in our globalized world, many challenges are too interconnected and complex for any one sector to face alone”.

“That interdependence brings with it a fundamental realization: That power cannot be separated from responsibility. That for business to enjoy sustained growth, we need to build trust and legitimacy. That for markets to expand in a sustainable way, we must provide those currently excluded with better and more opportunities to improve their livelihoods”.

*UN Secretary-General Ban Ki-moon,*

*Opening Remarks at the United Nations Global Compact Leaders Summit, 5 July 2007<sup>1</sup>*

## Responsible Business: the Key to the MDGs

There has been a transformation in both the understanding and expectation of business' contribution to the Millennium Development Goals (MDGs)<sup>2</sup>. Most importantly, it is now broadly recognised that the largest contribution business can have - far greater than charitable philanthropy - is by running *successful* and *responsible* businesses: creating jobs, economic opportunities, tax revenues and goods and services.

This raises the issues of what "responsible" business means, how it can be ensured and who should ensure it. The 2007 G8 - the first G8 to do so - put responsible business centre-stage. It made explicit reference to the UN Global Compact, the OECD Guidelines for Multinational Enterprise and other leading principles and codes for responsible business.

## A New Role for Business: Global Issues and Global Rules

Perhaps the most interesting current debate on what it means for a business to be "responsible" revolves around the role businesses are increasingly playing at the global level, tackling global issues, such as corruption or climate change.

In part, the debate focuses on the extent to which business should be participating in setting the global rules that govern their own conduct. But it also relates to business' role in shaping the conduct of others - particularly governments.

What is clear is that business is no longer a passive recipient of these rules, and in various ways, on

various issues, is working collectively to actively shape them. For business, this is part of a new leadership role that they must play to deliver long-term success for their businesses and the societies in which they operate.

This year's International Business Forum (IBF) explores this new active role of business in shaping the "rules of the game" at the global level. It focuses on two specific areas, both of which have been prominent in this year's G8 discussions: anti-corruption and climate change.

## This Background Report

This Report tells the fascinating story of businesses' rapidly growing engagement in tackling some of the world's most pressing challenges. It provides participants of the 12<sup>th</sup> IBF with an overview of the key facts, major trends and flash-point issues. Reflecting the focus of the IBF, we look at this through the

lenses of anti-corruption and climate change. We bring the story to life with case studies and interviews with leading practitioners. Core concepts are outlined in "Info Boxes". Ultimately, our aim is to inform and stimulate debate.

## 2. G8 2007: Putting “Responsible Business” Centre-Stage

Participants at last year's International Business Forum underlined the important role that business can play in achieving the MDGs by running successful and responsible businesses in developing countries: doing good by doing business<sup>3</sup>.

A similar sentiment was expressed at this year's G8 Summit, which focused on “Growth and Responsibility”<sup>4</sup>. The Summit Statement recognised that cross-border investment can make a “major positive contribution to economic growth, social and environmental development” provided “appropriate framework conditions are in place”.

The Summit Statement describes these “framework conditions” as including not only an “open investment environment” but also “corporate and other forms of social responsibility”. This is the first time the G8 has looked at “corporate social responsibility”

(CSR) in any detail<sup>5</sup>. So, alongside commitments to “strengthen open and transparent investment regimes” are pledges “to promote actively internationally agreed corporate social responsibility and labour standards, high environmental standards and better governance” (See Annex 1).

The statement highlights the wide range of international codes and standards in place to encourage responsible business, calling, for example, for the business community to “adhere to the principles in the OECD Guidelines for Multinational Enterprises” and “to participate actively in the Global Compact”. The Global Compact is profiled as a case study below. The statement also calls for an “improvement of the transparency of private companies' performances with respect to CSR, and clarification of the numerous standards and principles issued in this area by many different public and private actors”.



### Info Box

G8 Summit, Heiligendamm Summit, 6-8 June 2007

[www.g-8.de/Webs/G8/EN/Homepage/home.html](http://www.g-8.de/Webs/G8/EN/Homepage/home.html)

The Group of Eight leading industrialized nations (G8), comprising Canada, France, Germany, Italy, Japan, Russia, the United Kingdom and the United States, is chaired this year by Germany. Leaders at the G8 Summit in Heiligendamm made a number of significant commitments relevant to this year's IBF, including on climate protection, responsible business and international development.

Annex A sets out the key elements of the G8 Statement.

Specific emphasis is placed on the issues of *corruption* in the context of natural resources, with explicit support for the Extractive Industries Transparency Initiative (EITI), and *climate change* - the main theme for the Summit overall. On the latter, the Statement welcomes the United Nations Environmental Program Finance Initiative and makes commitments to share experience of different market mechanisms, such as emissions-trading.

The 2007 G8 has put into the spotlight the broad set of global rules and principles that aim to define what it means for a business to be responsible. At the same time, it has provided a window on one of the most fascinating developments in recent years - the interaction of business and the global "rules of the game". How those rules are shaping business behaviour. But increasingly, how businesses are shaping those rules.



## Case Study

### Global Compact

[www.unglobalcompact.org](http://www.unglobalcompact.org)

The Global Compact is the world's largest voluntary corporate responsibility initiative, with over 3,800 participants (including 2,900 businesses) from 100 countries<sup>6</sup>. It was launched in 2000 after Kofi Annan challenged business leaders to join UN agencies, labour and civil society in support of universal environmental and social principles. Through collective action in the form of policy dialogues, learning, country/regional networks and partnership projects, the Global Compact works to achieve two central objectives: (1) to mainstream ten universal principles in the areas of human rights, labour, the environment and anti-corruption; and (2) to catalyse actions in support of UN goals.

The Global Compact involves a number of actors with different goals: "Governments, who defined the principles on which the initiative is based; companies, whose actions it seeks to influence; labour, in whose hands the concrete process of global production takes place; civil society organizations, representing the wider community of stakeholders; and the United Nations, the world's only truly global political forum, as an authoritative convener and facilitator".<sup>7</sup>

>>

## 2. G8 2007: Putting “Responsible Business” Centre-Stage



Peter Brew

Director, Responsible Business Solutions for the International Business Leaders Forum (IBLF), is involved with both the corruption and human rights working groups of the Global Compact, the Secretariat for the Global Compact UK network, and also played a role in the launch of the Global Compact Croatian Network.

IBF: What would you say has been the Global Compact's greatest achievement to date?

PB: The Global Compact has done well in getting 3800 companies to sign up - giving it credibility as a rallying point for responsible business and considerable convening power. What has been very interesting is that in the last year the biggest growth in membership has been from developing countries or countries in transition. There is a concern that this allows companies to join who still have a long way to go in improving their business standards, but the fact of the matter is that they are putting CSR on their agenda.

IBF: And what are the greatest challenges it faces?

PB: First of all, there is a concern as to what signing up to the ten principles actually means in practice. Greater robustness is needed when dealing with those companies who are either not reporting or are clearly not making progress on the 10 principles. The Global Compact announced their intention to de-list 500 companies and have plans to de-list another 500. But maybe that's not enough. To really mean something

tangible, companies need to demonstrate that they are making progress. At the same time the Global Compact needs to continue to step-up support to help companies achieve their objectives. It can do this by providing and sponsoring tools and materials.

A big issue is how multinational companies get all parts of their operations globally to abide by their principles. Finally, although the Global Compact covers both large multinationals and SMEs, I am not sure that SMEs are getting the support they need yet.

IBF: Critics of the Global Compact question the objectivity and effectiveness of the self-assessment process, and highlight the gap between rhetoric and action. What would you say to an NGO like ActionAid who withdrew their support from the Global Compact because they felt it has no teeth?

PB: The criticisms are not totally groundless. The Global Compact was always aspirational. I remember Georg Kell saying right at the start that “if we are to be a policing organisation we will need staff larger than the entire armed

forces of the US". They just do not have the resources. It has to rely on a degree of self-motivation. For example, the UK network has now set up a peer review system where member companies suggest improvements to company reports before they are submitted to the Global Compact.

I am sorry that ActionAid felt it necessary to leave. As a result they have lost their influence on the Global Compact moving forward. Much better to have stayed in and used their knowledge and experience to engage and make suggestions. This is an initiative which is only 7 years old. It has a long way to go. I think the reality is that in my lifetime there will not be international legislation that addresses all the issues. We are therefore dependent on initiatives like the Global Compact. I think NGOs must be responsible in their criticisms. They often put the spotlight on companies that are trying hard but ignore the companies that are doing nothing. So if I was ActionAid, my concern would be not for the 3800 who have signed up, but for all the others who haven't. What can NGOs do to help bring those to the table?

IBF: Does the work of the Global Compact complement that of other initiatives such as the Global Reporting Initiative? Are there areas of duplication?

PB: IBLF recently prepared a paper which compared the OECD guidelines, the Global Compact, some of the ILO Conventions and looked at Ruggie's work on human rights. Interestingly it emerged that there wasn't a huge amount of

overlap. Although the proliferation of initiatives is a cause for concern for some people, others argue that the initiatives are all there for a purpose and as long as they are achieving what they set out to do, and as long as they are all talking to each other, that is what is important. Companies are recognising that it is not enough to do their own thing. There is a role for collective action initiatives provided that new organisations aren't being created.

IBF: How effective can partnerships be between civil society organisations and businesses when they continually have to negotiate the tension between profit motive and action for the greater good?

PB: There is growing evidence that companies that are managed responsibly are the most sustainable companies financially. As a company, there is a growing awareness that if you get your human rights, corruption and environmental agendas right, then you will be adding to the foundation of your sustainability, because when these things go wrong, they cost a huge amount of money and reputational damage. Profit is the nature of business but it has to be honest profit, responsible profit. We now have convincing evidence in the work that we do, that cross-sector partnerships are a very effective way of delivering development. Part of the Global Compact's job is to create space for that dialogue to take place.

### 3. A New Role for Business: Global Issues and Global Rules

“In an age of interdependence, global citizenship - based on trust and a sense of shared responsibility - is a crucial pillar of progress. At a time when more than 1 billion people are denied the very minimum requirements of human dignity, business cannot afford to be seen as the problem. Rather, it must work with governments and all other actors in society to mobilize global science, technology and knowledge to tackle the interlocking crises of hunger, disease, environmental degradation and conflict that are holding back the developing world”.

*Kofi Annan, Former UN Secretary-General<sup>B</sup>*

Traditionally, it has been governments that have determined and enforced the rules of the game, while at the same time acting as guarantor of citizens' participation in this process<sup>9</sup>. But this is changing, particularly when one looks at the global challenges that transcend national boundaries. So-called “global public goods” - such as preserving biodiversity, contributing to solutions to combat climate change and its effects, tackling the spread of diseases, setting human rights standards or agreeing international trade rules - can only be achieved if governments and private actors work together.<sup>10</sup>

Today, multinational corporations and civil society groups are actively engaged in setting new agendas, negotiating details of new agreements and implementing, monitoring and enforcing rules and standards in areas as diverse as peace-keeping, human rights, social standards and the environment<sup>11</sup>. Non-government organisations have been actively involved in campaigning for responsible corporate behaviour<sup>12</sup>, while businesses have been, often collectively, developing processes to regulate their own behaviour. And both NGOs and businesses have been helping develop and implement processes

to shape government behaviour. In short, the state is no longer the only player on the block.

This growth in so-called “private governance” at the global level, where multinational companies and international business organisations have been taking on - sometimes in partnership with NGOs - “roles traditionally associated with public authorities”<sup>13</sup>, has been described as a “fundamental re-constitution of the global public domain”<sup>14</sup>.

This trend has resulted in a proliferation of statutory and voluntary codes and standards and, perhaps most interestingly, new partnerships<sup>15</sup> - from the global to the industry or issue specific (see Info Box for examples) - with businesses no longer simply the passive recipients of rules, but actively engaged in creating them. In some cases, these build on existing international and national legislation, but in others they fill a regulatory space where states have been unable or unwilling to act (such as on conflict diamonds or labour standards in developing countries)<sup>16</sup>. Increasingly these are underpinned by compliance auditing, standardisation of reporting systems and certification, and - through the inter-



## Info Box

### Top Principles, Codes and Standards

There has been a proliferation of principles, codes, standards and partnerships in recent years. Here is a selection of the most important, together with web references (including as endnotes).

- UN Global Compact<sup>19</sup>
- OECD Guidelines on Multinational Enterprises<sup>20</sup>
- OECD Anti-Bribery Convention<sup>21</sup>
- UN Anti-Corruption Convention<sup>22</sup>
- ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy<sup>23</sup>
- Voluntary Principles on Security and Human Rights<sup>24</sup>
- Global Reporting Initiative<sup>25</sup>
- ISO26000<sup>26</sup>
- OECD Corporate Governance Principles<sup>27</sup>
- OECD Declaration on International Investment and Multinational Enterprises<sup>28</sup>
- Extractive Industries Transparency Initiative (EITI)<sup>29</sup>
- The Kimberly Process<sup>30</sup>
- United Nations Environmental Program (UNEP) Finance Initiative and UN Principles for Responsible Investment<sup>31</sup>
- Global Fund to Fight AIDS, Tuberculosis and Malaria<sup>32</sup>
- Global Business Coalition on HIV / AIDS, Tuberculosis and Malaria<sup>33</sup>
- Marine Stewardship Council<sup>34</sup>
- Forest Stewardship Council<sup>35</sup>

net - better access by stakeholders to information on businesses' social and environmental performance<sup>17</sup>.

One recent, and important, addition to the landscape are the Equator Principles<sup>18</sup>, developed by

financial industry to manage social and environmental issues in project financing. This initiative is profiled as a case study below.

Of course, the growth of codes and standards must be understood within the broader context of the

### 3. A New Role for Business: Global Issues and Global Rules

positive impact that business can have on global governance issues through their core business activities, such as through their supply and distribution chains with small and medium enterprises: supporting growth and national and local economic

development; creating incentives to reduce corruption; spreading ethical corporate good practice; or supporting innovation and enterprise development in the renewable / clean energy sector.



#### Case Study

##### The Equator Principles

[www.equator-principles.com](http://www.equator-principles.com)

The Equator Principles (EP) were launched in 2003 by a small group of banks supported by the IFC. They were substantially revised in 2006 in response to the IFC's revision of its own Performance Standards, on which the EP are based. Currently over 50 financial institutions have adopted the Principles.

The objective of the EP is to have a common and coherent set of environmental and social policies and guidelines that could be applied in financing projects globally and across all industry sectors. Principles apply to all projects with capital value of over US\$10m, regardless of sector or location. Banks that adopt the principles declare that they will put in place internal policies, procedures and processes that are consistent with the EP, and they are required to report publicly on their EP implementation experience. They "will not provide loans to projects where the borrower will not or is unable to comply with [their] respective social and environmental policies and procedures that implement the Equator Principles".

Banks that implement the EP categorise projects seeking finance into high, medium or low social and environmental risk; require borrowers to demonstrate social and environmental assessments and action plans in keeping with IFC guidelines for each risk group; and insert into loan documents covenants for borrowers to comply with action plans.



Rob Tacon

Head of Risk Reporting at Standard Chartered, has been part of the working group on Equator 2 and has been involved in developing EP guidance for Standard Chartered's own practitioners.

IBF: What does it mean to “adopt” the Principles?

RT: The EP are voluntary. Banks do not sign-up, they simply adopt the principles. This means that you become part of a group of institutions involved in project finance with similar aspirations around sustainability. This comes with pros and cons - your institution is in the public light for being serious about sustainability, but this also puts your head well above the parapet. Civil society will watch you very closely regarding compliance and how you integrate EP into your own best practice. When you take on the EP there is a lot of background work that needs to be done in order to show that you have the right policies and processes in place to meet the requirements. Adopting EP also means you have to conduct ongoing training to ensure project finance practitioners are well versed in what EP and IFC principles mean in practice.

IBF: How has the adoption of the Equator Principles changed the project financing landscape?

RT: A lot of the banks follow principles and guidelines of their own making. What the EP has

done for the first time, is bring together a group of banks that compete for projects, but see the common sense in working together and agreeing on a set of principles. As a result, financial institutions are working together much more closely and on a regular basis. Because of this change, projects are being better managed with practitioners having a greater understanding of what's demanded of them up-front.

IBF: How is implementation monitored?

RT: As an EP bank, it is important right up-front to clearly set out our requirements in accordance with EP and IFC ground-rules. This means requiring practitioners to carry out an environment and social impact assessment of the project to raise issues that will need to be dealt with up-front or during the project. Depending on the assessment, a range of different actions may have to be taken and each bank will deal with these very differently. The EP itself does not define what actions banks should take - when developing the principles there would have been no chance of getting agreement on this around the table. It has to be the banks prerogative.

>>

### 3. A New Role for Business: Global Issues and Global Rules

At Standard Chartered, most projects would go to a responsibility and reputational risk committee, which looks beyond the credit-worthiness of a project, to the environment and social impacts it will have and the proposed solutions set out in a management action plan. Once the project is up and running, ongoing checks are undertaken to ensure that all the requirements have been met within stated timelines.

IBF: What sanctions are there for non-compliance?

RT: If the requirements are not met, there are a number of ways to deal with it. There is the option of withdrawing funds from the project. The risk here is that the project may collapse before completion and become a white elephant. Because repayments are made at the end of the project, you could also face a serious debt situation.

Alternatively, you could withdraw funds until a certain action has been completed. This will delay the project and therefore delay when the repayments will be made. Another option is to allow the project to continue but under a very clear set of guidelines which may or may not lead to additional funding.

I think that withdrawing funds rarely has the desired result. It is better to work with project sponsors to get the project back on track.

IBF: Have the Equator Principles had a negative impact on banks' business?

RT: They can do. Project sponsors, particularly for smaller projects, can see EP as a threat because significant costs can result in terms of the extra work and checking that needs to be done. There are instances where project sponsors will get financing from international banks who have not adopted EP, because their costs can be reduced. EP Banks have to compete in this field. It is therefore in the EP Bank's interest to show project sponsors the benefits of meeting international standards through EP compliance and to look for opportunities to work with customers to improve the environmental and social impact of their projects.

## Anti-Corruption and Ethical Business Conduct

“Corruption affects all sectors of society, government...and business. Corruption in the private sector must not be allowed to remain “private” and tackling it is as important as cleaning up public administration. All opposed to corruption - whether from government business or civil society - need to unite and work together”.

*Conference Statement, Business Action Against Corruption, Abuja, Nigeria, 20th February, 2006<sup>37</sup>*

The evolving global governance landscape, and business' role within it, is well illustrated by the case of anti-corruption and ethical business conduct. Today there is widespread recognition that a thriving, open, and competitive private sector can be a strong contributor to better governance. What is more controversial is to what degree the private sector should be actively engaging in shaping the rules that aim to tackle corruption and bribery. Alongside the greater emphasis that governments

and donors have put on good governance, transparency, accountability and anti-corruption<sup>38</sup>, the role of business has also evolved, from passive 'rule-takers' to more active participants in the process of making rules that regulate not only their own behaviour, but also the actions of others. Business is making more use of the power of collective action and, increasingly, joining forces with other non-business stakeholders in designing rules together.



### Info Box

#### Governance and corruption: key concepts<sup>39</sup>

“Governance and corruption are not synonymous. Governance refers to the manner in which public officials and institutions acquire and exercise the authority to shape public policy and provide public goods and services. Corruption is one outcome of poor governance, involving the abuse of public office for private gain. Public office is abused when an official accepts, solicits, or extorts a bribe and when private agents give or offer bribes to circumvent public policies and processes for competitive advantage and profit. It is also abused through patronage and nepotism, the theft of state assets, or the diversion of state revenues. Corruption can also take place among private sector parties, yet interface with and affect public sector performance.”

### 3. A New Role for Business: Global Issues and Global Rules

#### Business as rule taker

Many countries have in place legislation against corruption and bribery of public officials. But until fairly recently few industrialised countries had laws against bribing *foreign* officials, which meant that much of the activity of multinational enterprises fell outside the scope of their domestic legislation. In many of the countries where multinational enterprises were active, legal systems were underdeveloped or weak. Rules did not exist, or were easy to avoid or break - especially given large multinational companies' enormous commercial power in countries desperate for foreign investment.

For many, corruption was a 'necessary evil', part of the cost of doing business, particularly in poor or developing countries. In some of these countries corruption had become very much a way of life. Hence, when it came to laws against corruption and bribery, business was a rule-taker - but there were

often surprisingly few rules for multinational enterprises to comply with in host countries.

This changed in the late 1990s with what has been referred to as the "globalisation of American-style anti-corruption standards".<sup>40</sup> Bribery of foreign officials had been illegal in the United States since 1978. Twenty years later, more than 30 countries signed up to the OECD's Convention on the Bribery of Foreign Public Officials in International Business Transactions<sup>41</sup> (commonly referred to as the Anti-Bribery Convention). This was followed in 2003 with the UN Convention against Corruption (UNCAC)<sup>42</sup>, the most wide-reaching international instrument yet adopted to fight corruption. Many other regional conventions have also emerged. The box on page 26 gives more detail.

#### Business making its own rules

Businesses are all too conscious of the high cost of corruption. As we discuss in Section 4, this, alongside growing pressure from shareholders and wider stakeholders, has been a driver for the rapid growth in corporate "codes of conduct", which often include stipulations against bribery and corruption.

As corporate codes of conduct proliferated, a need was identified for guidance on what such codes

should contain and how implementation should be measured and monitored. A number of business associations and non-business organisations with an interest in good governance developed guidelines to facilitate companies' rulemaking, including the World Economic Forum's Partnering Against Corruption Initiative (PACI) - profiled as a case study below.



## Case Study

### World Economic Forum Partnering Against Corruption Initiative (PACI)

[www.weforum.org/en/initiatives/paci](http://www.weforum.org/en/initiatives/paci)

PACI was formally launched by CEOs from the engineering & construction, energy and metals & mining industries in January 2004. PACI aspires to be multi-sectoral (with signatories beyond the three originating sectors) and fully inclusive - all companies are invited to join PACI regardless of their size, country of origin or affiliation with the World Economic Forum.<sup>43</sup>

The PACI Principles for Countering Bribery aim to create a 'common language' on corruption and bribery, valid for all industries. The initiative is based on the belief that corruption cannot be countered without leadership and commitment from the top. Companies that adopt the PACI Principles commit to "two fundamental actions - the adoption of a 'zero tolerance' policy on bribery and the development of a practical and effective programme of internal systems and controls for implementing that policy."<sup>44</sup> To date, 125 companies have signed a statement supporting the PACI Principles for Countering Bribery.

PACI is a multi-stakeholder initiative which works with, among others, the Basel Institute on Governance; the International Chamber of Commerce (ICC); OECD; Transparency International;



the UN Global Compact; the American Chamber of Commerce in Romania, the Ethos Institute of Business and Social Responsibility/the Business Pact for Integrity and Against Corruption, multi-lateral development banks and selected International Financial Institutions.

### 3. A New Role for Business: Global Issues and Global Rules



Andrew Bone

Head of Government Relations for the De Beers Group, was involved when De Beers became one of the founding signatories of PACI in 2004.

IBF: Why did De Beers sign up to PACI?

AB: Corruption is an impediment to sustainable and profitable business and is also an obstacle to economic growth in developing nations in particular. De Beers, like many other companies, thrives in an environment where there is stability, rule of law and a level playing field. So there is a clear commercial imperative to fighting corruption. There is also a moral imperative - we believe that promoting personal integrity is key to attracting the right employees - a company is not a logo, a company is made up of the people who work for it.

At the time PACI was launched, we had already been developing our own best practice principles that we were rolling out across the De Beers Group around the world. Our objectives aligned with what PACI was trying to achieve. We wanted to be a company that demonstrates we were not just giving lip-service to the principles but were putting them into action as well.

IBF: How does PACI add to what was already out there and further increase the scope for reducing corruption?

AB: PACI complements other initiatives such as the Extractive Industry Transparency Initiative (EITI). Whereas the EITI looks more at the effects of corruption and works with governments on reporting, PACI focuses more on company behaviour by creating and exemplifying private sector standards. Neither EITI nor PACI is a silver bullet for corruption, but working together they create synergies.

IBF: What are the merits of having a business-led approach to addressing corruption?

AB: You are creating an organisation where like-minded people can talk to each other, share best practice, learn about what mistakes have been made and how you can correct them. This is far better than trying to tackle the issue in isolation.

However, I think corruption will ultimately only be addressed by cross-sector collaboration, but as we learned through the Kimberley Process, first of all you have to galvanise the private sector. In addressing conflict diamonds, a major breakthrough was the creation of the World Diamond Council where, for the first time, the industry united, to great effect, behind an

important single issue. This enabled us to collaborate constructively with governments and civil society. We realised how incredible and potent that mix can be. As PACI matures I think it will increasingly move from being a collection of private sector organisations into one that liaises directly with civil society as well. We are already witnessing this as PACI has started working with organisations such as the UN Global Compact and Transparency International.

IBF: How can a voluntary initiative like PACI be given teeth?

AB: This implies sanctions of some kind. I think that if any signatory of PACI has been shown to blatantly circumvent the principles that they have committed themselves to, then the action should clearly be to eject them from the organisation. But beyond that, I cannot see that it would be productive to subscribe sanctions. I think that these things work best through consensus and commitment.

IBF: One idea to encourage commitment to and implementation of the PACI principles is to require bidders of contracts to have an anti-bribery certificate. What is your view on this?

AB: The fact that you are a member of PACI should mean that you are able to demonstrate the principles in practice. Just being a member should be good enough. I think that if you start issuing certificates as well, you could be throwing yourself open to the accusation that you are just joining to 'put a sticker in the shop

window'. I think it is best to encourage people and organisations to judge and be judged by their actions.

IBF: What would you like to see PACI achieve in the next few years?

AB: I would of course like to see more companies joining - especially from the extractive sector - and a wider acknowledgement from all sectors that corruption is not just about eliminating outrageous behavior, but it is in our business interests to do so.

I also think it is important for PACI to take more of a lead in reaching out to and working with local businesses in areas of poor governance. In some ways it is easier for big business to avoid being sucked into the culture of corruption because you are a high profile organisation. From my own experience working in the former Zaire, it's the small guys that get hit most by corrupt officials because they are softer targets and least able to protect themselves. We need to give practical and moral support to SMEs in these places to enable them to stand up to this.

*The see how the construction industry is engaged with PACI, read an interview with Alan Boeckmann, Chairman and CEO of Fluor Corporation: [www.weforum.org/pdf/paci/PACI.pdf](http://www.weforum.org/pdf/paci/PACI.pdf)*

### 3. A New Role for Business: Global Issues and Global Rules

#### Collective action: a partnership approach to rule making

One of the biggest problems facing a company that wants to combat corruption is that in an environment where corruption is rife, it is difficult for an individual party to refuse to engage in such practices as it will merely lose out to less scrupulous competition. Collective action offers a solution to this problem: the more parties join in refusing to pay bribes, the more level the playing field will be.

In recent years, there has been an emergence of a number of collective initiatives to combat corruption. Businesses are now making the rules not only for themselves but also for other businesses in their sector, industry or region. For instance, the International Council on Mining and Minerals' (ICMM)<sup>45</sup> *10 Principles for Sustainable Development Performance*, include, as their first principle, a commitment to "implement and maintain ethical business practices and sound systems of corporate governance". The International Federation of Consulting Engineers (FIDIC)<sup>46</sup> similarly includes stipulations about combating corruption in its code of ethics.

Some businesses help shape the behaviour of companies through their core business activities. Stockbrokers, analysts, fund managers, project financiers, investment advisers and ratings agencies can play a powerful role in influencing corporate behaviour through the criteria they apply in assessing investment opportunities. Examples include the FTSE4-Good Index Series<sup>47</sup>, which only includes companies that comply with globally recognised and accepted socially responsible criteria, including countering bribery criteria.

Collective action by a group of businesses can go much further than individual companies in addressing corruption. However, business alone cannot stamp out corruption; nor can governments, civil society or donor agencies acting in isolation. Each group of stakeholders has an interest in fighting corruption, and each has different strengths that can be productively applied. Evidence is emerging that partnerships not only with other businesses, but also with non-business stakeholders such as governments and civil society could provide a good model for collective action against corruption. Here business joins others in making rules which bind each of them in different ways, all with the ultimate objective of encouraging ethical behaviour at all levels and reducing corruption.

Perhaps one of the most important among these is the UN Global Compact, profiled earlier, that added a 10th Principle on corruption at the UN Global Compact Leaders Summit on 24 June 2004<sup>48</sup>. The voluntary principle commits participating companies to "work against corruption in all its forms, including extortion and bribery".

A number of initiatives have also been created to deal specifically with corruption and poor governance in a particular sector or industry. The Extractive Industries Transparency Initiative (EITI)<sup>49</sup>, profiled as the next case study, aims to promote transparency around revenue flows in the extractives sector.



## Case Study

### Extractive Industries Transparency Initiative (EITI)

[www.eitransparency.org](http://www.eitransparency.org)

The Extractive Industries Transparency Initiative (EITI) was launched in 2002 at the Johannesburg World Summit on Sustainable Development. The EITI aims to deal with the so-called 'resource curse', which sees some developing countries with huge natural resource wealth suffering from greater poverty, slower development, more corruption and greater risk of violent conflict than some of those with poorer endowments. The objective of EITI is to achieve greater transparency around the revenue flows associated with extracting oil, gas and minerals resulting in reduced scope for corruption and improved governance of natural resources and the revenues they generate<sup>50</sup>.

The EITI is a multi-stakeholder process involving government, business (including investors) and civil society. Under EITI, extractive companies publish what they pay to governments, governments publish what they receive, an independent auditor reconciles these figures and civil society acts as watchdog and interpreter of published information. Currently 26 countries claim to be implementing EITI<sup>51</sup>; around half of these are in Africa. A further seven countries are reporting revenues received.



In some countries where the flow of money associated with oil and gas extraction used to be shrouded in secrecy, the implementation of EITI has resulted in making this information available on the internet for anyone to see<sup>52</sup>.

EITI is an interesting example of rule-making. Although it is not mandatory - governments can choose whether they want to sign up to it - once a government has committed to EITI, it becomes binding on all private and public sector companies active in that country's extractives sector.

>>

### 3. A New Role for Business: Global Issues and Global Rules



Edward Bickham

Executive Vice President, External Affairs at Anglo American plc, has been involved in shaping the EITI and sits on its board.

IBF: Why did Anglo American get involved in the EITI?

EB: Mining involves a long-term investment - once we have sunk US\$1 billion in a project we cannot up sticks and go elsewhere if things go wrong in our host country. We came to the view that improving the way resource revenues were spent would lead to greater stability and improved governance in resource rich countries. In our judgement the long-term rewards outweigh the risk of such information being misused by populist elements.

IBF: What has been the most significant impact of the EITI since its inception?

EB: At an in-country level there have been varying degrees of success. In Azerbaijan and Nigeria, EITI has had a significant impact on improving transparency around oil revenues, and some success in engaging stakeholders on how that revenue is spent. In both cases, I think that the EITI has been effective because of strong national ownership of the initiative.

At an international level, EITI has been very positive in raising the debate about the benign

use of resource revenues and the importance of transparency. EITI now has broad support across the donor community, and has been working closely with the World Bank on implementation.

IBF: How easy has it been to work with governments and civil society?

EB: As with any multi-stakeholder process, working with a number of different actors each with their own priorities is challenging. But I think EITI is one of the best international examples of collaborative working between NGOs, businesses and governments. The coalitions which develop around particular topics in our Board discussions are by no means always predictable.

IBF: What has been the biggest challenge facing the EITI?

EB: Ensuring that we are getting good 'brand protection'. A lot of countries have been pressured to implement the EITI, but in some cases this has been easier said than done for various technical reasons or because there has not been genuine political will. There is a risk that the

EITI simply becomes a PR exercise. The process of getting agreement on the validation criteria was challenging, but I think we have achieved an effective result.

Another challenge is to ensure that the expectations loaded onto the shoulders of the EITI are not excessive. The EITI is not a silver bullet that will suddenly transform governance. It is a carefully targeted and important step, but needs to be seen in the context of other anti-corruption and good governance initiatives.

IBF: Is voluntary collective action alone a workable solution to issues of corruption?

EB: EITI does not rely purely upon a voluntary approach. In fact, it is quite a neat dovetailing together of voluntary and regulatory approaches. In terms of the anti-corruption agenda, the UN and OECD conventions provide an international underpinning for legislation. In terms of the EITI, although the decision on whether to get involved at an international level is voluntary, when a government decides it will implement EITI within its borders, compliance no longer remains voluntary for companies since most countries then legislate to make disclosure of revenue flows mandatory.

IBF: Is the EITI only applicable to large companies and investors? How are smaller businesses involved?

EB: It should be applicable to all material operators in a national context. Bigger companies may have a role in building under-

standing and capacity in smaller companies about EITI. In my view, however, the EITI is not particularly helpful in dealing with artisanal mining operating largely in the informal sector. That is a separate challenge.

IBF: Has the process been more successful in particular countries? Why do you think that is?

EB: Political will is important. In the case of Nigeria it came at an opportune time when the government was looking at corruption around oil revenues. EITI provided a useful platform for politicians to address the issue. In the case of Ghana, however, it was initially difficult to get it off the ground. Although everyone thought it was a good thing, there wasn't a history of large-scale resource embezzlement and so the political imperative was not as strong.

There are some countries where it hasn't moved forward as quickly as we would have liked due to big picture politics. For example, because the UK Government (as EITI's leading government sponsor) has focussed on Africa, EITI hasn't had the same traction in parts of SE Asia and South America. In southern Africa, lots of resource rich counties are not yet implementing the EITI and I think this goes back to a debate that emerged around the launch of the initiative where the EITI was perceived by some to be imperialistic. This issue now needs to be laid to rest so that the EITI can proceed more constructively. My belief is that the problem may well be overcome if there is a UN General Assembly resolution.

>>

### 3. A New Role for Business: Global Issues and Global Rules

IBF: How is EITI weakened as global initiative if not all the major players on the supply and demand side sign up to it? Are there any shortcomings in its scope?

EB: There is a major hole in the EITI if significant players on both demand and supply sides such as China, Russia and India are not brought on board. In the case of China, if there is the national will by a host government to implement EITI, China is likely to row in behind it. As long as they do not see the EITI as an international finger-wagging exercise, I think they could be brought into a more positive position at the global level.

From the perspective of the mining sector, there is an important issue around sub-national

revenue transparency. In a number of countries, there is a constitutional provision that says a proportion of the mining revenues shall be recycled back into the province from where the mining took place. Often this money never arrives. From the perspective of an industry that wants the contribution it makes to national development to be better understood, it is important to have a real picture of what is happening with these flows. We have been pushing other stakeholders within the EITI to go further and to extend the principle of transparency to a sub-national level.

Through making rules to modify their own behaviour, individually and collectively, companies recognise that they have a responsibility to control the *supply side* of corruption. However business also has a role to play on the *demand side* of corruption. The belief that some governments are simply corrupt and that there is not much business can do about it, is no longer regarded as valid. Though business would not typically get involved in actually making rules for governments, there is much that business can do to influence the behaviour of the rule makers in the countries where they operate.

Underpinning this is a growing appreciation that corruption is a systemic problem which will not be addressed by removing a few corrupt officials<sup>53</sup>.

What is needed is comprehensive institutional reform to reduce the opportunities for corrupt actions and to strengthen the systems responsible for enforcement. It is generally recognised that reform should include many or all of the following elements: streamlining legal and regulatory codes; reforming government agencies; reforming tax and customs regimes and procurement policies; supporting e-government systems; lowering barriers to starting and operating formal business; and streamlining business inspection procedures<sup>54</sup>. Ethical business conduct also relies on working together with government and civil society to create a solid and enforceable legislative infrastructure so that the business environment does not tolerate corruption.

In countries where such reforms have already taken place, or are in the process of taking place, initiatives to combat bribery are often spearheaded by companies who are acutely aware of the high costs associated with corruption<sup>55</sup>. The business community has launched a wide range of initiatives aimed at addressing these wider reform issues through advocacy and collective action. Examples include the Investment Climate Facility<sup>56</sup> and Business Action Against Corruption<sup>57</sup>.

In countries where the political will to initiate change has been lacking, business has played an important role, alongside civil society, in helping create that political will through awareness-raising and consistent advocacy<sup>58</sup>. Examples include businesses supporting an independent media equipped with tools of analysis to detect and expose fraud and corruption, and forming liaisons with think tanks, NGOs and academia to create platforms for discussion. Business associations and chambers of commerce have lead the way through publicly engaging in dialogue about the costs of corruption and the ways in which it can be reduced. Business leaders, who often enjoy some status in their communities, can speak up against corruption and lead by example.

Large multinational companies also have significant economic power - especially in poor countries or those that are eager to attract foreign investment - to influence the behaviour of governments and other actors. The promise of large-scale investment with benefits for job creation, poverty alleviation and growth can provide a useful platform for advocacy on strengthening governance systems. For example, governments can choose whether they want to implement EITI, and they would be more

likely to do so if they knew that this would encourage foreign investment; extractives companies are therefore in a strong position to lobby for implementation. Similarly, private financiers have economic power, and can work with International Financial Institutions to ensure good standards of governance in the countries whose governments they lend to<sup>59</sup>.

Of course, multi-stakeholder partnering is challenging to create and also to maintain. Buy-in and a flexible incentive structure are needed, as well as commitment from the top, in order to keep such initiatives moving and credible.

### 3. A New Role for Business: Global Issues and Global Rules



#### Business and Anti-Corruption

##### Key examples of business engagement in tackling corruption

###### *Business as rule taker*

- OECD's Convention on the Bribery of Foreign Public Officials in International Business Transactions<sup>60</sup> (commonly referred to as the Anti-Bribery Convention): signed up to by more than 30 countries. Requires member states to take such measures as may be necessary to criminalise the bribing of foreign public officials within their national legal system.
- UN Convention against Corruption (UNCAC)<sup>61</sup>: the most wide-reaching international instrument yet adopted to fight corruption. States that ratify the convention (which currently number 95) are required to enact or maintain laws to prevent corruption involving the private sector and to criminalise such corrupt behaviour.
- OECD Guidelines for Multinational Enterprises<sup>62</sup>: aim to set an internationally recognised standard for corporate behaviour. "The only multilaterally endorsed and comprehensive code that governments are committed to promoting", these guidelines regulate corporate conduct, especially in terms of financial transparency and human rights, and contain specific provisions prohibiting bribery.
- Examples of regional conventions: the Inter-American Convention against Corruption (IACC), 1996<sup>63</sup>; European Union Convention on the Fight against Corruption Involving Officials of the European Communities or Officials of Member States, 1997<sup>64</sup>; Council of Europe Civil and Criminal Law Conventions on Corruption, 1999<sup>65</sup>; African Union Convention on Preventing and Combating Corruption and Related Offences, 2002<sup>66</sup>.

###### *Business making its own rules*

- International Chamber of Commerce's Rules of Conduct<sup>67</sup>: with the development of these rules, the ICC recognised one of the biggest obstacles with taking individual action on corruption: namely that in an environment where corruption and bribery are rife, the one who resists such practices risks losing out to the competition. Hence "only a corruption-free system makes it possible for all participants to compete on a level playing field"<sup>68</sup>.

- The Transparency International Business Principles for Countering Bribery<sup>69</sup>: developed by Transparency International (TI) and Social Accountability International (SAI) with a group of private sector interests, non-governmental organisations and trade unions. The Business Principles provide a model for companies seeking to adopt a comprehensive anti-bribery programme, and are supported by a suite of tools and a how-to guide to devising and implementing an anti-corruption strategy.
- The World Economic Forum's Partnering Against Corruption (PACI) used these TI Business Principles as basis for its own set of guidelines - the PACI Principles - aimed at providing a framework for good business practice and risk management strategies for countering bribery. PACI also works to ensure top-level public commitment to fight corruption, and to support companies in implementing their commitment and developing appropriate means of verification and compliance.
- Examples of regional and national instruments which provide guidance to companies on fighting corruption: The Anti-Corruption Toolkit of the Sofala Commercial and Industrial Association, Mozambique<sup>70</sup>, Nigeria's Convention on Business Integrity<sup>71</sup>; the Africa Corporate Sustainability Forum / Malawi Global Compact Leaders' Forum on Building Alliances to Eliminate Corruption<sup>72</sup>; and the Brazilian Pact for Integrity and Against Corruption<sup>73</sup>.
- Examples of anti-corruption programmes developed by international business associations: the International Business Leaders Forum's (IBLF) national and regional anti-corruption initiatives<sup>74</sup>, the Centre for International Private Enterprise (CIPE) anti-corruption programme<sup>75</sup> and the Ethics Resource Centre's guidance on codes of conduct<sup>76</sup>.

*Collective action: a partnership approach to rule making*

- UN Global Compact<sup>77</sup>: Described in more detail in the earlier case study, this added a 10<sup>th</sup> Principle dealing with corruption in 2004. This commits participants "not only to avoid bribery, extortion and other forms of corruption, but also to develop policies and concrete programs to address corruption. Companies are challenged to join governments, UN agencies and civil society to realize a more transparent global economy". The United Nations Convention against Corruption is the underlying legal instrument for the Principle.
- Extractive Industries Transparency Initiative (EITI)<sup>78</sup> aims to promote transparency around revenue flows in the extractives sector. Under EITI, companies publish what they pay to government in the process of extracting resources, governments publish what they receive, an independent auditor reconciles these figures and civil society acts as watchdog and interpreter of published in-

### 3. A New Role for Business: Global Issues and Global Rules

formation. Today 26 countries are implementing the initiative and a further 7 are reporting received revenues<sup>79</sup>.

- International Council on Mining and Minerals' (ICMM)<sup>80</sup> 10 Principles for Sustainable Development Performance: The first of these principles is to "Implement and maintain ethical business practices and sound systems of corporate governance". This principle refers specifically (among other elements) to the need to implement policies and practices that seek to prevent bribery and corruption.
- International Federation of Consulting Engineers (FIDIC)<sup>81</sup>: includes stipulations about combating corruption in its code of ethics. To help member companies implement these principles, FIDIC has developed a Business Integrity Management System (BIMS) which provides organisations with a set of tools and a process-based approach for managing integrity.
- Wolfsberg Principles<sup>82</sup>: Developed by a group of 12 international banks, these principles aim to set common international standards to combat money laundering, corruption and terrorism funding.
- Transparency International's Integrity Pacts<sup>83</sup>: companies, together with government and civil society, voluntarily implement anti-bribery agreements that are monitored by an external party. Integrity Pacts are aimed at combating corruption in public procurement, an area that is particularly susceptible to bribery and corruption. Integrity Pacts comprise a pact between government inviting public tenders and the companies bidding; an undertaking by the government that it will not ask for or accept bribes; a statement by each bidder that it has not and will not pay any bribes to get or retain the contract; the use of arbitration as conflict resolution mechanism and a pre-announced set of sanctions for violation of the above.
- Business Action Against Corruption (BAAC)<sup>84</sup>. The flagship governance programme of the international business network, Business Action for Africa<sup>85</sup>, BAAC helps to build new partnerships between government and business in African countries to remove the opportunities for corruption. The programme is founded on the view that change requires the African private sector and its international partners to find practical ways to collaborate with governments to tackle corruption.
- Medicines Transparency Alliance (MeTA) and Construction Sector Transparency Initiative (CoST): Two new initiatives were launched recently under the auspices of the UK's Department for International Development. MeTA<sup>86</sup> focuses on the procurement, distribution and supply of

drugs in developing countries. MeTA will tackle the problems of fake drugs, corruption, inefficient distribution and improved access to medicines for the developing world, and aims to bring together global organisations like the World Health Organisation, major pharmaceutical companies and NGOs. A pilot phase will also soon be launched for the CoST<sup>87</sup>, which will address high levels of corruption in the global construction industry. The intended partners in CoST are the essential players in publicly funded construction projects including government ministries and agencies, construction companies and contractors, and civil society.

- Kimberley Process Certification Scheme<sup>88</sup>: aims to stop the trade in so-called conflict diamonds: rough diamonds that are used by rebel movements to finance wars against legitimate governments. While its focus is on breaking the link between diamonds and war, reducing corruption along the rough diamond supply chain is an important component of the process.
- Other natural resource sector initiatives: the Forest Stewardship Council certification<sup>89</sup> and Marine Stewardship Council certification<sup>90</sup> seek to provide independent guarantees of legal and sustainable production in the forestry and fisheries sectors, respectively both faced with high levels of illegality, unsustainable practices and corruption. Various regional Forest Law Enforcement and Governance (FLEG)<sup>91</sup> initiatives, supported by the World Bank, aim to tackle high levels of illegal and unsustainable logging, illegal trade, violent conflict and corruption in the forestry sector.

### 3. A New Role for Business: Global Issues and Global Rules

#### Climate Change

"Collective action is extremely important in meeting the problem of climate change, because effective and comprehensive action requires the involvement of all stakeholders. Climate change related action cannot be taken by governments, businesses, civil society or research organizations and academia working in isolation."

"Industry can certainly take the lead, because not only would that show early results, but would also convince skeptics that industry is as much part of the solution as any other section of society."

*R. K. Pachauri, Director General, The Energy and Resources Institute (TERI) & Chairman, Intergovernmental Panel on Climate Change (IPCC)*

A similar story has been unfolding in the climate change space - yet if anything, the emergence of corporate engagement has been starker. Having at first actively rejected the impact of climate change, many companies now stand far ahead of many governments.

The Global Climate Coalition (GCC), an organisation of trade associations and companies, was established in the US in 1989, soon after the first meeting of the UN's Intergovernmental Panel on Climate Change (IPCC). Its objective was "to coordinate business participation in the international policy debate on the issue of global climate change and global warming", with its focus on lobbying *against* any agreement to reduce greenhouse gas emissions internationally, and against US Senate ratification of the Kyoto Protocol, the international global warming treaty.

In the face of the mounting evidence on global warming, a number of its prominent members left, and by 2002 it had folded. In sharp contrast today, business stands at the forefront of efforts to tackle climate change, with, for example, one group of companies (some of which had been part of GCC) recently launching the US Climate Action Partnership (USCAP)<sup>92</sup> to "call on the federal government to quickly enact strong national legislation to require significant reductions of greenhouse gas emissions" and to encourage the US Government to "become more involved in developing the post-2012 international arrangements for addressing climate change that are now being discussed"<sup>93</sup>.



## Info Box

### Climate change: key concepts and frameworks

Climate change is defined as “the change in climate attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural variability observed over comparable time periods”<sup>94</sup>. Climate change, also known as global warming and the Greenhouse Effect, has been much debated over recent years. However, it is now widely accepted - based on evidence from, among others, the Intergovernmental Panel on Climate Change (IPCC)<sup>95</sup> the body established by the UN “to assess scientific, technical and socio-economic information relevant for the understanding of climate change, its potential impacts and options for adaptation and mitigation” - as a very real phenomenon that is threatening many areas and resources in the world, including many of the world’s key trade and financial centres<sup>96</sup>.

Climate change is caused by increased emissions of Greenhouse Gases (GHGs) - including carbon dioxide (CO<sub>2</sub>), the most abundant human-caused greenhouse gas - that are now at levels unparalleled for tens of thousands of years<sup>97</sup>. Climate change differs from normal climate variability that we have experienced historically. Recent figures show CO<sub>2</sub> emissions are now 16 per cent higher than they were in 1990<sup>98</sup>. The sources of the increased GHG emissions are largely energy use, transport and land-use changes. Around 7 billion tons of CO<sub>2</sub> are emitted on a global scale each year as a result of the use of fossil fuels (natural stores of coal, oil and gas). A further 1.6 billion tones is emitted as a result of changes in land use, and particularly deforestation<sup>99</sup>.

In per capita terms, emissions from Higher and Middle Income Countries are far greater than those from developing country counterparts: the average Chinese citizen<sup>100</sup> emits around 16 per cent of the average US citizen. In gross terms, however, China has now overtaken the US as the world’s largest emitter of CO<sub>2</sub><sup>101</sup>. Other high growth areas such as India and Brazil are also high emitters. In 2004, non-OECD emissions overtook, for the first time, those from the OECD, and on current trends will exceed OECD countries by 57 per cent by 2030<sup>102</sup>.

Current attempts to curb climate change are based on two types of activities: *mitigation* (reducing current GHG levels); and *adaptation* (adjusting livelihood systems to cope with environmental changes resulting from elevated GHG levels). The two key global climate change frameworks, that

### 3. A New Role for Business: Global Issues and Global Rules

focus on the first of these, are the Kyoto Protocol and United Nations Framework Convention on Climate Change.

- Kyoto Protocol<sup>103</sup>: Agreed in 1997 but only came into legal force in 2005. Contains legally binding emissions targets for developed countries, with the aim of achieving a 5.2 per cent reduction below 1990 levels by 2012. Recent data shows that rich countries are largely off-track<sup>104</sup>. It has set in place carbon trading mechanisms, such as Joint Implementation (JI) and the Clean Development Mechanism (CDM). These mechanisms enable industrialized nations to comply with their targets by means of investing in emissions reduction projects, including through investment in lesser industrialized nations and developing countries with no emission targets;
- United Nations Framework Convention on Climate Change (UNFCCC)<sup>105</sup>: UN body providing the overall policy framework for addressing climate change. Adopted in 1992 and 'entered into force' in 1994<sup>106</sup>. Its objectives are "stabilising GHG concentrations at levels which prevent dangerous interference with the global climate system; and achieving these reductions within a time frame that allows ecosystems to adapt naturally to climate change and to enable economic development to proceed in sustainable manner"<sup>107</sup>. The next significant UN event is the UN Climate Change Conference in Indonesia in December 2007, and a priority will be achieving a comprehensive post 2012-agreement (post Kyoto-agreement).

The 2007 G8 Summit agreed on the need for "complementary national, regional and global policy frameworks" ... "that will accelerate action over the next decade". Significantly, it acknowledged that "the UN climate process is the appropriate forum for negotiating future global action on climate change", coded reference to pre-G8 US attempts to establish an alternative process. Looking towards the Indonesia conference, the G8 said that "it is vital that major economies that use the most energy and generate the majority of greenhouse gas emissions agree on a detailed contribution for a new global framework by the end of 2008 which would contribute to a global agreement under the UNFCCC by 2009"<sup>108</sup>. Particularly controversial is the issue of the more advanced developing economies, particularly China and India, and whether they will sign up to any new framework.

Individually, many businesses are bypassing existing governance structures and taking control of their own emissions behaviour, for example setting and adhering to their own emissions targets, reducing waste from processing and looking into capturing and storing carbon<sup>109</sup>. Board-level "Climate Task

Forces" have been formed by many leading companies<sup>110</sup>, helping communicate the business case for action on emissions trading, and there are increasing levels of public disclosure by major companies of climate opportunities and risks.

As in the anti-corruption policy space, the emphasis is very clearly now on partnership. USCAP's *A Call for Action*<sup>111</sup> and the recent statement by 152 CEOs at the UN Global Compact Leaders Summit, *Caring for Climate: The Business Leadership Platform*<sup>112</sup>, both signal a renewed collective effort by business to shape the global debate.

Central to the business message is a call for governments to put in place an effective global and national "post-Kyoto" legislative and fiscal framework that would stimulate a market-based approach to tackling climate change, with a particular emphasis of flexible mechanisms to create a stable price for carbon. A price that reflects the true environmental impact is perhaps the most powerful incentive for climate-friendly investment decisions. This can be achieved through a tax (which fixes the price) or a so-called "cap and trade" carbon market as used in Europe (which fixes the quantity of total carbon a company can emit, and then allows the carbon price to vary as companies buy and sell the

right to emit). In practice the price on this carbon market has been volatile, while many companies have been reticent to sell their allowance in case they need to increase emissions at some point in the future<sup>113</sup>.

The G8 Statement also makes explicit reference to the importance of market mechanisms in "providing pricing signals and [having] the potential to deliver economic incentives to the private sector"<sup>114</sup>. These include, for example, "emissions-trading" within and between countries, tax incentives, performance-based regulation, fees or taxes, and consumer labelling. A recent survey by *The Economist* of business engagement in climate change concluded that getting these incentives right is crucial if business is to make a difference on the scale needed<sup>115</sup>. While subsidies and standards are often put forward as important elements, the survey argues that "a carbon price is likely to be the best way to cut emissions"<sup>116</sup>.

### 3. A New Role for Business: Global Issues and Global Rules



#### Case Study

##### 3C Combat Climate Change: A Business Leaders' Initiative

[www.combatclimatechange.org](http://www.combatclimatechange.org)

The 3C initiative, founded and coordinated by Vattenfall, was launched in January 2007 as a business-led approach to combating climate change on a global scale and influencing the post-Kyoto process. With currently 42 business members, the initiative has committed to nine principles that determine a roadmap to becoming a low-emitting global society. These include supporting a global framework, to come into force by 2013, which integrates climate change issues into the worlds of markets and trade. The initiative promotes commercial solutions, technological innovations and market-based investments to reduce global greenhouse gas emissions.



Dr Chris Mottershead

is distinguished Advisor, Energy and Environment for BP plc. He provides leadership to the BP Group on making its products and operations consistent with the principles of sustainable energy and the environment.

IBF: Since its launch at the beginning of this year, what would you say has been the biggest impact of 3C?

CM: I would argue that it is early days, and it hasn't yet had a material impact. Signing up to the nine principles to show concern doesn't do anything in itself until we focus on business action.

The distinctive contribution that 3C has made, is that it brings businesses together from the G8+5, both international businesses, and also companies that operate nationally. The 3C is interesting because it offers a stage for specific discussions that are a layer down from the generic global view, placing in context detailed discussions about national legislation.

IBF: What are the benefits from having a clearly business-led approach to climate change issues?

CM: A business-led initiative is essential for making a material change to the world's climate. While governments can set the framework and targets, it is ultimately what businesses do and the products which they sell that will make the biggest difference to climate change.

IBF: So what role should government play?

CM: It's the role of governments to set the right regulatory frameworks in which all business gets done. As with everything you need carrots and sticks. You need to have carrots to encourage creative companies to develop new solutions, and you need sticks in order to ensure companies are not allowed to profit from inaction. It's our job as business to operate within frameworks set by governments.

IBF: Critics of 3C would say that its plans are overly ambitious by seeking to secure the support of all countries from the start. Given the experience of Kyoto Protocol, how realistic is this objective?

CM: We would recognise the need for a common international approach, but would argue that it needs to be firmly based on national policy. An international system alone cannot deliver what is necessary. International agreements are normally the consolidation of national policy. A new international post-2012 agreement will provide useful direction, and also operational mecha-

nisms to support cross-border business, but it can't play the role of national states in creating enforceable obligations. National states must provide incentives, and also set mandatory targets. An international agreement will place these incentives and obligations in an international context, and provide mechanisms that allow them to operate across national borders.

IBF: Is there a trade-off between economic development and reducing carbon emissions for developing countries? At what point should developing countries be making serious efforts to reduce their emissions?

CM: We need to be clear about what we mean by 'developing countries'. I would say there are three groups of developing countries, and we need to differentiate between them. The first group are the bigger economies of India, China, Brazil and Mexico, with major emissions that must be reduced; the second are the middle rank of robust and growing developing countries; and the third are the least developed countries who will be most impacted by climate change and have no capacity to adapt, but need help.

I would argue that people in this third group are not helped by existing international agreements like Kyoto. The total emissions of the second group of countries are relatively modest and the world can afford for them to focus on economic growth, with a few well chosen environmental interventions. It is the first group for which this question about trade-offs becomes particularly relevant. The emissions from the first group of large developing countries are material, and the

### 3. A New Role for Business: Global Issues and Global Rules

environmental damage is actually costing them economic growth. The economic cost of not doing something is now greater than the cost of doing something, not just from today's activities, but as they invest in infrastructure for the future that may become obsolete in a low carbon world economy.

IBF: 3C places a big emphasis on new technology solutions. What do you think will be the biggest innovation over the next few years?

CM: The world has the solutions it needs for the next three to four decades. The world does not need novel technology. What it does need is effective competition between solutions. This can be done firstly by including the carbon price in everything we buy, going beyond the efforts made so far. Secondly by developing policy that

rewards businesses that drive down the cost of using technology, not just creating it. If the cost of low carbon technology stays flat we won't solve the problem. We need to create incentives that reward business for reducing costs.

IBF: What is the priority of 3C over the coming year?

CM: I would argue there are two priorities. Firstly, bringing together European and US companies, and hopefully some representatives from countries like China and India, to have a serious conversation about climate change in a constrained world. And secondly to consider developing a simple model, similar to that of carbon trading, that can be applied to the issue of technology interventions I described earlier.

Partnerships are also extending to practical action by business, as illustrated by the two case studies. 3C (Combat Climate Change) promotes commercial solutions, technological innovations and market-based investments to reduce global greenhouse gas emissions. Meanwhile, a partnership between InWEnt and Energiebau Solarstromsysteme, a solar energy company, is exploring how new technology can be adapted to provide electricity to rural areas in Africa. This second project is just one example of a wave of investment into renewable energy and associated technology.

Scaling up such public private partnerships offers an important part of the strategy for tackling climate change, but as the Global Compact statement argues, this will require significant public investment and the appropriate regulatory and support frameworks "to catalyze and support business and civil society-led initiatives, especially in relation to research, development, deployment and transfer of low carbon energy technologies and practices".



## Case Study

Rural Electrification Project: InWEnt and Energiebau Solarstromsysteme PPP

[www.german-renewable-energy.com/Renewables/Navigation/Englisch/Biomasse/case-studies,did=183262.html](http://www.german-renewable-energy.com/Renewables/Navigation/Englisch/Biomasse/case-studies,did=183262.html)

In sub-Saharan Africa, over 500 million people live without access to electricity and this is expected to increase to 650 million by 2030<sup>117</sup>. The lack of access to electricity has severe development impacts - it limits economic productivity, hinders the delivery of healthcare and educational services and it prevents access to knowledge and communication.

In 2003, InWEnt and Energiebau Solarstromsysteme formed a partnership to explore how new technology could be adapted to provide electricity to rural areas in Africa remote from the public grid. A solar hybrid system was developed and piloted in Ghana, Mali and Tanzania, which couples solar power with a converted diesel generator for the use of jatropha oil. The jatropha oil is cultivated locally enabling electricity to be produced sustainably over the long-term, independently from the expensive oil imports and complicated refining and transportation process associated with diesel production. Jatropha is not in competition with food crops as it is a drought-resistant crop requiring minimal inputs of water, grows in marginal soils and yet helps to restore the soil, combat desertification, and provide fertilizer<sup>118</sup>. Not only does the project contribute to environmental sustainability, but it has impacted other MDGs including poverty reduction through creating new income possibilities in jatropha cultivation, and improving health and education through providing electricity to local schools and hospitals.

The project is an effective example of a Public-Private-Partnership (PPP), funded by both InWEnt on behalf of the German Federal Ministry for Economic Cooperation and Development and Energiebau Solarstromsysteme. InWEnt contributes through training and international dialogue to building up the local capacities which are necessary for operation and maintenance to ensure the sustainability of the project, and Energiebau Solarstromsysteme developed the technology, and contributed the technical know-how to ensure the project was adapted to the local context. Both prioritized the involvement of local partners on the ground as the project was developed and implemented. The project recently won the Roy Family Award 2007 awarded every two years to PPPs that have made outstanding contributions to international environmental protection projects<sup>119</sup>.

### 3. A New Role for Business: Global Issues and Global Rules



Michael Funcke-Bartz

is the InWEnt Senior Project Manager for Sustainable Technologies, Industrial and Urban Development. He has been involved in the PPP with Energiebau Solarstromsysteme, including project design, coordination and monitoring of implementation.

IBF: Given its low investment returns, why do you think Energiebau Solarstromsysteme decided to get involved in a rural electrification project?

MFB: For Energiebau Solarstromsysteme, one of Germany's biggest energy wholesalers and technology developers, it was a question of mid-term strategy. Currently, the German government subsidises solar energy production in order to make the large initial investments viable. If the decision was made to no longer make these subsidies, the market for solar energy may go down. Energiebau Solarstromsysteme saw the rural electrification project as a means to diversify their approach to generating electricity and also to provide an alternative income stream. Although at the moment the project does not make real profit, it does create new contacts in a new context and there is the expectation of profit in the longer term.

IBF: As acknowledged by the Roy Family Award, the rural electrification projects in Ghana, Mali and Tanzania have proven to be very successful. Looking ahead, how scalable are the projects?

MFB: In theory there is no limit to scaling up this project. The key constraint is to make the first investment viable. Renewable technology has a higher financial input in the beginning in comparison to traditional fossil fuel energy. Although the running costs of the project are low where villagers grow their own jatropha, it takes two to three years before the first yield can be harvested. In comparison, providing a village with a diesel generator is a cheaper immediate solution, but the running costs of petrol will be much higher in the long-term.

IBF: Can such grass-roots projects make a tangible impact on global climate change?

MFB: For a Clean Development Mechanism (CDM) project you need 5,000 to 10,000 tonnes of CO<sub>2</sub> emissions savings to justify the transaction costs. In the Tanzanian project, CO<sub>2</sub> emissions savings will probably be around 20 tonnes per year. For a viable CDM project you really need to work at the larger scale of energy power plants. So in Ghana we are working with the government to look at how solar energy could be used not just in as an isolated solution to energy supply, but as a back-up structure for providing

electricity to the rest of the grid. If this works and investments can be secured, then a lot of private sector capital would be mobilized and big emissions savings can be made. But it will involve mobilising substantial up-front investments. A system similar to solar-power subsidies ("law for energy feed-in ") in Germany could work in this context, where investments are made viable and profitable by being refunded over the long-term.



IBF: What would you recommend other companies in the energy sector do when thinking about providing electricity to developing countries?

MFB: Engaging in this area is certainly not about fast profit-making. It requires patient money and patient entrepreneurs. It is unrealistic to have expectations of making immediate profits of say 15 to 20 per cent. But a different type of entrepreneur will see that over the long-term profit is viable provided there is a stable political environment that will ensure a secure pay-back for the investments made.

IBF: What were the challenges for business in engaging with this project?

MFB: For Energiebau Solarstromsysteme, the project has challenged them to think not in terms of a direct client relationship where there is one customer and one solution, but in terms of collaborating with several different actors - government, NGOs, local partners. Being partner in a PPP with InWEnt gave Energiebau Solarstromsysteme more credibility and opened new doors for example on the governmental level. This was key because co-operation with government is essential when developing national energy policies and discussing how new solutions can be integrated within the national system.

IBF: What would be your advice to companies wanting to explore a PPP approach?

MFB: We were learners. On both sides we tried to understand each other. Success was based upon balanced cooperation. I think there were times when we should have talked to each other earlier, when ideas had been worked out before all parties were on board. And so regular updates on the planning process are important as well as clearly defining the contributions each side will make.

### 3. A New Role for Business: Global Issues and Global Rules



#### Business and Climate Change

##### *Voluntary emissions targets*

- Exelon and Pacific Gas & Electric: invested heavily in nuclear and renewable power which has positioned it well within the power generation sector in the States.<sup>120</sup>
- Carbon Disclosure Project: allows companies to clearly report carbon emissions, which means investors can see immediately those companies that are not willing to disclose such information.<sup>121</sup>

##### *Advocacy*

- US Climate Action Partnership<sup>122</sup>: set up this year by 10 US blue-chip companies and 4 NGOs to lobby for strong federal actions on climate change<sup>123</sup>. It currently has just over 30 members.
- Initiative 2°: German companies have formed a Climate Protection Initiative to support the German Federal Government on both a national and international level in its efforts to establish a successful global climate protection policy. The goal is to limit global warming to 2° Celsius compared to pre-industrialisation levels.
- Edison Electric Institute (EEI): The trade association for the American power utilities recently decided to call for government regulation on carbon emissions<sup>124</sup>.
- Business Leaders Statement, UN Global Compact Leaders Summit, 5-6 July, 2007: CEOs of 153 companies worldwide recently committed to call on governments to agree climate market mechanisms for 'post-Kyoto' as soon as possible<sup>125</sup>. Entitled, "Caring for Climate: The Business Leadership Platform", the statement was supported by 30 from the Fortune Global 500.
- Business Statement, UN Conference on Climate and Risk: Institutional investors are increasingly co-operating together on climate risk, for example 28 key corporates endorsed an action plan to promote increased business analysis, public disclosure and action on climate-associated business links and opportunities<sup>126</sup> at a UN Conference on Climate and Risk.
- Pew Center on Global Climate Change: The center is working with 21 leading companies (most of which are included in the Fortune 500) to educate the public and influence key policy makers regarding the causes and potential consequences of global climate change.
- World Business Council for Sustainable Development (WBCSD)<sup>127</sup>: A coalition of around 200 international companies. The Council provides a platform for companies to explore sustainable development, share knowledge, experiences and best practices, and to advocate business positions on these issues in a variety of fora.

### *Renewable energy and associated technology*

- BP and Rio Tinto<sup>128</sup>: announced in May 2007, the formation of a new jointly-owned company, Hydrogen Energy, which will develop decarbonised energy projects in major emerging economies around the world. The venture will initially focus on hydrogen-fuelled power generation, using fossil fuels and carbon capture and storage (CCS) technology to produce new large-scale supplies of clean electricity.
- Citi: In May 2007. Citi announced that it will direct US\$50 billion over the next 10 years to address global climate change through investments, financings and related activities to support the commercialization and growth of alternative energy and clean technology among the clients and markets it serves, as well as within its own businesses and operations. Citi has also committed US\$1 billion to the Clinton Climate Initiative (CCI), a project of the Clinton Foundation<sup>129</sup>.
- BDI Business for Climate Protection: Under the umbrella of BDI, the German business community has come together to apply their expertise from across all trade and industry sectors to search for CO<sub>2</sub>-saving products, systems and services that address the global climate problem. The members of the initiative will support policy makers and produce recommendations for a political post-2012 climate regime.
- Shell Springboard Fund: Fund set up to support the development of small businesses with ideas that will assist in curbing climate change. Awards are made for the most innovative and commercially viable plans for a climate change related product or service.
- Bunge: an American business which builds pools to collect and trap methane produced by pig effluent. The methane gas stores can be used to generate electricity for the farm owner, which in turn generates a carbon credit for the company which is sold on the carbon market.
- European Business Council for Sustainable Energy Future (e5): Promotes clean energy technologies as part of the solution to climate change, amongst other environmental problems

### *Carbon Trading*

- Chicago Climate Exchange: the first voluntary programme in the USA set up to trade in greenhouse gases. Working towards establishing a pilot private market, first of all to be based in the American mid-West, and later to be expanded nationally and internationally.
- Emissions Trading Group (ETG): formed by The Confederation of British Industry (CBI) and Advisory Committee on Business and the Environment (ACBE). The ETG has worked alongside the British government to develop a carbon trading market.

## 4. Drivers for Change: What Factors Have Been Driving this Business Engagement?

### Business and Society: Business Engagement Expected

"Today's company is no longer expected to be a passive bystander in society, but rather to engage directly in addressing societal issues, such as finding solutions to global warming, health care provision, product and workplace safety, and disaster relief"<sup>130</sup>.

Businesses are perhaps more keenly aware than ever of their place in society, and of society's expectations of them<sup>131</sup>. Some have labelled the new role as "Corporate Citizenship" - which emphasises "the role of the private corporation in the process of designing global rules and implementing citizenship rights"<sup>132</sup>.

A survey of 48 top business executives, including 26 CEOs and representing 27 multinational companies<sup>133</sup>, highlighted three messages: the public perception of the role of business has transformed over the last few decades; new responsibilities and expectations - such as around the environment and human rights - are being placed upon businesses by consumers and other stakeholders; and businesses

need to better understand the interaction of society's issues with their business success. The same survey finds that businesses have mixed views on how far they should go in engaging in social and environmental issues, though the vast majority believe that businesses have responsibilities to a broader set of stakeholders, beyond their immediate shareholders. An increasing number believe that they need to take on a leadership role. In any case, increasingly shareholders see issues such as climate change and anti-corruption as business risks and justifiably an area for the CEO's attention. For instance, shareholder resolutions calling for climate change risk management policies from large US companies increased two-fold with the space of one year<sup>134</sup>.

### Nature of the Challenges: Business Engagement Needed

Expectations of a greater role for business are driven at least in part by a recognition of the important role business can play - through their core business operations, by applying their skills and expertise, and with their genuinely global perspectives - to tackling today's complex global challenges.

A recent review<sup>135</sup> commissioned by BMZ found that at least 10 out of 22 OECD DAC donors and

around 20 UN organisations<sup>136</sup> have or are about to launch programmes to engage the business community. A variety of partnership models have emerged that seek to leverage businesses' global supply chains, developing country footprints, financial resources, skills and technology. And in this way, donors are exploring and discovering innovative ways to drive progress across a range of issues.



## Info Box

### The cost of corruption

- Businesses are all too conscious of the high cost of corruption - in many parts of the world corruption is estimated to add as much as 10% to the cost of doing business<sup>137</sup>. Corruption is identified as a serious constraint by over 70% percent of firms in South Asia; nearly as many in (developing) East Asia; 64% in Africa and almost 60% in Latin America<sup>138</sup>. This is in addition to the increased reputational risk associated with corrupt practices.
- According to the Center for International Private Enterprise (CIPE)<sup>139</sup>, corruption, among other things, lowers growth levels; lowers investment levels; reduces competition and efficiency; lowers productivity and discourages innovation and increases costs of doing business (serving as a tax on business); undermines the rule of law; hinders democratic, market-oriented reforms; increases political instability; and contributes to high crime rates.

### The cost of climate change

- According to the Stern Report on the *Economics of Climate Change*<sup>140</sup>, climate change presents costs to the business community in the region of 5 to 20% of global GDP. In contrast, action to reduce emissions would cost 1% GDP per year less. The report argues that climate change “could create risks of major disruption to economic and social activity, later in this century and in the next, on a scale similar to those associated with the great wars and the economic depression of the first half of the 20<sup>th</sup> century”.<sup>141</sup>
- Companies face reputational risks if they are deemed by the public to be poor performers with regards to climate change.
- Current evidence suggests that climate change is not only affecting the core emitting sectors such as oil and gas, but other business markets such as agriculture and transport are now being affected by, for example, alterations to rainfall patterns<sup>142</sup>.

Kofi Annan, in his now famous 1999 address to the World Economic Forum, emphasised the importance of business engagement in global issues: "without your know-how and your resources, many of the objectives of the United Nations would remain elusive...I propose that you, the business leaders... and we, the United Nations, initiate a global compact of shared values and principles... Specifically, I call on you - individually through your firms, and collectively through your business associations - to embrace, support and enact a set of core values in the areas of human rights, labour standards, and environmental practices". This led to the creation of the Global Compact, the largest voluntary CSR initiative in the world.

From business' own perspective, there is also a far more clearly articulated business case to engaging in these issues. Not acting on corruption and climate change issues has real bottom line impacts (outlined further in the Info Box on page 43).

Within this context, the importance of business engagement in policy dialogue has been highlighted, including within the context of the MDGs (See Annex 2). A UNDP / IBLF guide<sup>143</sup> suggests that there are two particular ways in which businesses can engage: by taking a leadership position on one or more of the MDGs in internal and external meetings and on public platforms; and through collective action and legitimate dialogue with government and civil society leaders, contributing to setting rules, norms and standards that support the advancement of the MDGs.

"The desire to engage companies in promoting universal principles in part reflects the fact, not that

there aren't enough laws on the books, but that many governments continue to do a poor job implementing them"<sup>144</sup>. Business is seen to have particular legitimacy to engage where governments are failing to resolve emerging problems<sup>145</sup>. For example, the lobbying of the US Congress by a group of oil companies for some form of greenhouse gas limits, following Bush's rejection of the Kyoto Protocol, and continued business efforts to promote emissions trading.

There has been a growing interest among donors in so-called "public-private dialogue"<sup>146</sup> - private sector engagement in policy discussions, particularly around the business climate reform<sup>147</sup>. A recent OECD report<sup>148</sup> highlights a range of potential benefits: to governments' credibility on private sector development policy; to the ability to share information and tap into expertise; to the feeling of ownership and the quality of policy.

A recent development has been the move towards business-led collective advocacy on development issues - an area where NGOs have traditionally been more effective. This has had the advantage of highlighting issues such as trade, enterprise, employment and governance - issues that are often given insufficient profile in NGO campaigns. The ideal advocacy focus is clearly on issues that have both strong business and development benefits<sup>149</sup> - such as corruption, customs administration reform and transparency in the extractive sectors (notably, EITI).

## 5. The Implications for Policy Makers and for Business

### Implications for Policy Makers

“The influence of both civil society and business on international governance is likely to continue to increase. The issue is not whether but how best to realize the potential of non-state actors, who offer enormous resources - in innovation and thought leadership, advocacy, popular mobilization, financial investment and service delivery”.

*Report for UNDP<sup>150</sup>*

“The fundamental defect of global society today is not that the reach of corporations is too big, but that our ability to govern is too small. We face governance gaps and governance failures on a monumental scale. Our core challenge, therefore, is to stimulate social and political processes that will help bridge the gaps and reduce the failures. The dynamic interplay between business, civil society, and the public sector constitutes an essential platform from which to mount the campaign”.

*John Ruggie<sup>149</sup>*

The issue for policy makers is how to most effectively channel this business engagement and energy. This requires a keen understanding of both the advantages and potential risks. Business engagement remains controversial for a variety of reasons<sup>152</sup> (see Info Box below): fears of business using its power to influence outcomes to its own narrow advantage (for instance, on intellectual property rights, trade and investment); business lacking the legitimacy and accountability to engage in global governance issues (an issue that applies equally to NGOs); business using engagement with international bodies as a form of window dressing (UN Global Compact as “bluewashing”);

business driving self-regulation that results in rules and standards that are weaker than laws<sup>153</sup>; further disempowering governments and / or allowing governments to shirk their own responsibilities.

A report for UNDP<sup>154</sup> suggested that business and NGO engagement in global governance should be become more structured to facilitate systematic dialogue and consultation and to ensure fair access to this discussion - something which “today’s multilateral decision-making bodies meet...only partially”.<sup>155</sup>

## 5. The Implications for Policy Makers and for Business

The report stresses, though, that these arrangements should remain light-touch and un-bureaucratic. It suggests that the following should be explored:

- Multi-stakeholder bodies, such as the International Labour Organization's tripartite machinery (government/business/labour) for setting labour standards;
- "Pre-meeting meetings" with non-state actors, the day before official intergovernmental meetings;
- The "Arias formula", which allows invited NGOs to address UN bodies outside official sessions;
- "Alternative reports" from non-state actors, to be considered alongside governmental reports, as the UN Commission on Human Rights has done;
- Amicus curiae ("friend-of-the-court") briefs from non-state actors, for example at World Trade Organization appeal hearings.
- Non-state global forums, such as a World Financial Forum to debate the policies and performance of the International Monetary Fund every two years.

Fundamentally, the involvement of private actors is seen as a positive development for global governance: "increasing voice of non-state actors adds essential checks and balances to the international system and helps ensure that excluded voices are heard".<sup>156</sup>

John Ruggie, Director of Harvard University Kennedy School of Government's Center for Business and Government, and former UN Assistant Secretary-General, argues that this: "may provide a historically progressive platform by creating a more inclusive institutional arena in which, and sites from which, other social actors, including [NGOs], international organizations and even states, can graft their pursuit of broader social agendas onto the global reach and capacity of [multinational corporations]"<sup>157</sup>.



## Info Box

### The Controversies

Proliferation of principles and codes - too many to handle?

The explosion in the number of guidelines, codes and principles to encourage “responsible” business brings both benefits and problems. Is there a need to focus efforts on implementing existing codes rather than develop new measures or should the diversity of approaches be allowed to flourish?

The G8 2007 called for “clarification of the numerous standards and principles issued in this area by many different public and private actors”. The decision last year by the United Nations Global Compact and the Global Reporting Initiative to form a strategic alliance was one step towards consolidation.

#### *Arguments in favour of proliferation:*

- Indicates private sector innovation, flexibility and dynamism.
- Diversity of codes reflects diversity of players / sectors: no one-size-fits all.
- Part of a gradual process towards harmonisation and consensus - must not stifle through converging too soon into 'super-code' or time-consuming legally binding processes that could act as disincentive to changing behaviours.

#### *Arguments against proliferation:*

- Number and variety of codes make meaningful comparisons of corporates difficult and undermines accountability. Issue of fundamental importance to NGOs wanting to hold corporates to account: *“The sheer number of company and industry-wide codes is hindering companies’ efforts to tackle the issues, and is creating uncertainty as to which standard they should use. The selection - or indeed avoidance - of issues covered by a CSR code varies significantly, and most codes are general statements of principles rather than detailed instructions as to how these principles might be applied.”* ActionAid.<sup>158</sup>
- High transaction costs to report and implement - deterrent to those companies not yet signed up to codes. An increasingly complex burden of compliance for companies wishing to do the right thing. This multitude of similar-but-different codes creates concerns ranging from inconsistent rules and overlapping enforcement to the lack of common definitions<sup>159</sup>.

## 5. The Implications for Policy Makers and for Business

- Number and variety of codes that companies are under pressure to adhere to has shifted motivation away from conviction (vision and values of company that drives behaviour) towards compliance (external expectations and reporting pressures)<sup>160</sup>. Codes can become passive, box-ticking, PR exercises, rather than pro-active responses. Codes can be used to mitigate negative impacts rather than integrated into core business model.

*“Simply mitigating negative impacts through castigating intermediaries or suppliers does not contribute to sustainable solutions. For the private sector to meet corporate social responsibility pledges, companies need to pursue alternative business models that forge connectivity, coherence, and interdependence between their core business operations and their ethical and environmental commitments.”<sup>161</sup>*

- There is too much focus on the codes themselves rather than poverty reducing outcomes limits effective on the ground *impact*.

Voluntary vs. mandatory - and/either/or?

The 2007 G8 gave support to the “voluntary approach” but in the context of greater ‘transparency of performance’ and ‘clarification of numerous standards and principles’.

*Arguments in favour of a voluntary approach*

- A ‘reporting industry’ has emerged in a number of sectors (e.g. mining, petroleum, chemicals, forest products, automobiles as well as textiles, apparel and footwear) where a broad community of stakeholders play a role<sup>162</sup>. The increasing amount and ease of access to information on company behaviour via the internet allows these social actors to play this role effectively.
- A voluntary approach has had tangible successes, including Fairtrade, the Extractive Industries Transparency Initiative, and the level of uptake of corporate social responsibility reporting. Non-mandatory policies can influence corporate behaviours by altering informal institutions - value systems - under which they operate.<sup>163</sup>
- A voluntary approach is the only realistic way ahead in the current context, so it should be harnessed for the positive impact it could have on ‘leveling the playing field’. Given their international reach it would be difficult (costly, time-consuming and potentially politically complicated) to make these initiatives legally binding; there is also a widespread belief that “compliance to an initiative is always higher when it is intrinsically motivated rather than externally imposed”.<sup>164</sup>
- Voluntary approaches are more flexible and can incorporate differences.

*"There is little chance of transnational firms becoming subject to legally binding regulations at the global level any time soon; the political will or even capacity simply is not there, and much of the corporate world would unite to fight it. In contrast, voluntary initiatives over time may build an interest among leading firms for a more level playing field vis-à-vis laggards, thereby realigning the political balance in the corporate sector."<sup>165</sup>*

#### *Arguments in favour of a mandatory approach*

- NGOs argue that mandatory is essential because self-regulation alone does not foster commitment and accountability, and there is a danger that companies treat it as a PR exercise. Self-regulation is weaker than laws. How should implementation and compliance be monitored, and non-compliance sanctioned? Critics argue that with no enforcement mechanism and no sanction for companies that breach their commitments, many initiatives are rendered largely ineffectual.<sup>166</sup>
- Lack of independent monitoring and verification. Can self-assessment be truly objective?

*"Amnesty believes that the UK government should critically appraise such voluntary commitments on the part of business [for example UN Global Compact] and not use them as a justification for opposing regulatory frameworks to hold companies to account for their behaviour."<sup>167</sup>*

*Christian Aid<sup>168</sup> argues CSR is not effective in practice and that there is a need to move towards corporate social accountability where there is legal obligation to uphold international standards.*

- According to an ICM Poll (2006), the overwhelming majority (90%) of British public think that *"the Government should set out enforceable rules to ensure companies are 'socially responsible'"* and 89% of voters think that *"multinationals should be legally obliged to publish reports on a range of issues, including how they treat their employees and how they impact on their local communities."*
- Some argue that there is an inherent paradox - ethical decisions made for the greater good conflict with profit motives. Some argue that rules are therefore essential to ensure that an ethical dimension is properly mainstreamed into business decision-making.

#### *Arguments for both*

- The threat of credible mandatory measures can make voluntary measures more effective.<sup>169</sup> Some NGOs have argued that the threat of regulation against persistent poor performance incentivises better behaviour.<sup>170</sup> According to Save the Children Fund and CORE *"The enforcement regimes of all codes must be strengthened to penalise companies who have signed up to voluntary codes of conduct, but failed to meet their stated aims within an accepted time-frame."* Should voluntary and mandatory co-exist, or should there be a transition?

## 5. The Implications for Policy Makers and for Business

### Implications for Business

*“Most executives would probably rather not take on such responsibilities, but recognize that this is no longer an option as business today has the competencies, resources and infrastructure to help meet societal challenges. Executives say the question is not so much what does business have to offer, but what are the legitimate roles for business and government in shaping 21<sup>st</sup> century society”.<sup>171</sup>*

What are the implications for the multinational businesses that find themselves in this new spotlight - as leaders on the world stage? First, to maximize their effectiveness, businesses should recognise their boundaries. In his advice to other business leaders, Niall FitzGerald, Chairman of Reuters, says that they should focus on contributing to areas where “the authority of the position from which you speak and act is relevant, is limited to those subjects in which your company has expertise / experience and in which your contribution is respectful of others”.<sup>172</sup> In short, business should focus on areas where they can make a difference - and invariably this will be in areas closely related to their core business<sup>173</sup>.

Second, and to ensure their longer-term effectiveness, businesses need to build their legitimacy in the minds of governments, NGOs and other stakeholders<sup>174</sup>. “Only the democratisation of corporate activities, through continuous discourse, participa-

tion and enlarged mechanisms of transparency, monitoring and reporting, can close the legitimacy gap of the corporation as a political actor in a globalized economy”.<sup>175</sup>

And third, as the role of business in these discussions evolves, from rule-takers to active rule-makers, greater emphasis must be placed on building capacity - within the business community, but also among those other stakeholders that engage with business at the global level. Indeed, sharing knowledge and best practice is one of the purposes on the 12<sup>th</sup> IBF, and the focus of its organisers.

## Bibliography

- ActionAid (2006). *Memorandum submitted to the International Development Committee's inquiry into Private Sector Development*.
- Africa All Party Parliamentary Group (2006). *The other side of the coin: The UK and corruption in Africa*.
- Bannock Consulting (2005). *How to Promote Public-Private Dialogue for Business Enabling Environment Reform*, "How to" note.
- Batra, G., D. Kaufmann and A. H. W. Stone (2003). "The Firms Speak: What the World Business Environment Survey Tells Us about Constraints on the Private Sector Development," in *Voices of the Firm 2000: Investment Climate and Governance Findings of the World Business Environment Survey*, World Bank Group
- Bendell, J. (2004). *Barricades and Boardrooms: A Contemporary History of the Corporate Accountability Movement*, UNRISD Technology, Business and Society Programme Paper. Number 13.
- Berkhout et al (2004). *Business and Climate Change: Measuring and Enhancing Adaptive Capacity*. Tyndall Centre for Climate Change Research. Technical Report 11
- Blowfield, M. and Googins, B. (2006). *Business Leadership in Society*, Centre for Corporate Citizenship at Boston College.
- Brew, P. and J. Moberg (2006). "The power of joining forces - the case for collective action in fighting corruption", in The Global Compact *Business Against Corruption - Case studies and examples*
- Broomhill, R. (2007), *Corporate Social Responsibility: Key Issues and Debates*, Dunstan Paper No. 1/2007, Don Dunstan Foundation for the Dunstan Papers Series
- Binder, A., Palenberg, M. & Witte, J. (2007). *Engaging with Business in Development*, Global Public Policy Institute Research Paper Series No. 8
- Center for International Private Enterprise (CIPE) (2004). *Combating Corruption: Private Sector Perspectives and Solutions*, *Economic Reform Issue Paper* No. 0409, September, Washington: CIPE.
- Ceres (2006). *Corporate Governance and Climate Change: Making the Connection*.
- Christian Aid (2004), *Behind the Mask: The Real Face of Corporate Social Responsibility*
- Cosbey, A. and Tarasofsky, R. (2007). *Climate Change, Competitiveness and Trade*. Chatham House Report, June 2007.
- Commission for Africa. (2005). *Our Common Interest*.
- Dhanarajan, S. (2005) *Managing ethical standards: when rhetoric meets reality*, *Development in Practice*, Volume 15, Numbers 3 & 4, June 2005
- DEFRA (2006). *Environmental Key Performance Indicators: Reporting Guidelines for UK Business*. Queen's Printer and Controller 2006.
- Department for International Development (DFID) (2007). *DFID and the G8 - G8: Two years on; Tackling Corruption and Promoting Good Governance*.
- DFID (2006). *Eliminating World Poverty: Making Governance Work for the Poor*, A White Paper on International Development.

## Bibliography

- Doane, D. and Holder, A. (2007). *Why Corporate Social Responsibility is Failing*, The Save the Children Fund and The Corporate Responsibility (CORE) Coalition
- G8 (2007). *Growth and Responsibility in the World Economy*, Summit Declaration, 7 June.
- Goyger, M. (2003) *Redefining CSR*, Tomorrow's Company Paper
- The Economist (2007). "Cleaning up: a Special Report on Business and Climate Change", *The Economist*, June 2<sup>nd</sup> 2007.
- Edwards, M., and S. Zadek. (2003). "Governing the Provision of Global Goods: The Role and Legitimacy of Non-State Actors", in Kaul *et al* (2003: pp 200-24).
- Eigen, P. (2004). Response to the Commission for Africa Consultation Document.
- Eigen, P. and C. Eigen-Zucchi (2003). "Corruption and Global Public Goods", in Kaul, I. et. al. (eds) *Providing Global Public Goods: Managing Globalization*, New York: Oxford University Press.
- Fitzgerald, N. and Cormack, M. (2007). *The Role of Business in Society: An Agenda for Action*, Kennedy School of Government, Harvard University, The Conference Board and International Business Leaders Forum.
- Global Compact (2006a). *Business Against Corruption*.
- Global Compact (2006b). *Business Against Corruption - Case studies and examples*.
- Hansen, J. (2007) *Huge Sea Level Rises are Coming - Unless We Act Now*. New Scientist, 28<sup>th</sup> July 2007.
- Hoffman, A. (2004) *Winning the Greenhouse Game*. Harvard Business Review
- Hogg et al. (2003) *Evolutionary and Institutional Economics, the Dynamics of Economic Development, and the Design of Packages of Measures to Achieve Environmental Outcomes*, Paper for Environment Agency/economics seminar on Economic Investments - New Perspectives, 28 April, 2003
- Hohnen, P. (2007). "The G8 and Responsible Business: Wading into CSR Waters", in *Ethical Corporation*, 12 June.
- Hohnen, P. (2007), *Governmental 'Soft Power' Options, How governments can use the 'soft power' art of encouragement and persuasion to advance corporate engagement on social and environmental issues*, Discussion Paper
- IPCC (2007) *Summary Report for Policy Makers. Fourth Assessment Report*. Cambridge and New York: Cambridge University Press
- International Chamber of Commerce (ICC) Commission on Anti-Corruption (2005). *Combating Extortion and Bribery: ICC Rules of Conduct and Recommendations*.
- Jenkins, R. (2005) 'Globalisation, corporate social responsibility and poverty', *International Affairs*, 81, 3, 2005, pp 525-40
- Jennet, A. (2006). "Anticorruption initiatives and EITI", *U4 Anti-Corruption Resource Centre Expert Answer*, Transparency International.
- Kambayashi (2007). *Lightly carbonated*. The Economist. August 2<sup>nd</sup> 2007

- Kaufmann, D. (2005). "Click Refresh Button: Investment Climate Reconsidered", *Development Outreach*, March, World Bank Institute.
- Kaufmann, D., A. Kraay and M. Mastruzzi (2007). "Measuring corruption: myths and realities", *Development Outreach*, June, World Bank Institute.
- Kaul, I., Conceição, P., le Goulven, K. & Mendoza, R. (eds.) (2003). *Providing Global Public Goods: Managing Globalization*, United Nations Development Programme, New York and Oxford: Oxford University Press
- Kell, G. (2006). "Anti-corruption and corporate citizenship", *Development Outreach*, September, World Bank Institute.
- Labelle, Huguette (2006). "Civil society and the private sector: Fighting corruption is good business", *Development Outreach*, September, World Bank Institute.
- Leautier, F., D. Petkoski and M. Jarvis (2006) "Can Private Sector Action Tackle Corruption?", *Development Outreach*, September, World Bank Institute.
- MacAlister, T. (2007) *Consumers Distrust Business on Climate Change*. The Guardian. June 19 2007.
- Nelson, J. and Prescott, D. (2003). *Business and the Millennium Development Goals: a Framework for Action*, Prince of Wales International Business Leaders Programme (IBLF) / United Nations Development Programme (UNDP)
- OECD (2007). *Business for Development: Fostering the Private Sector*, OECD Development Centre
- Parliamentary Office of Science and Technology (2004). *Climate Change and Business*. Postnote Number 213. January 2004.
- Publish What You Pay (2006). *Eye on EITI: Civil Society Perspectives and Recommendations on the Extractive Industries Transparency Initiative*.
- Rosenzweig et al (2002). *The Emerging International Greenhouse Gas Market*. Pew Center on Global Climate Change.
- Ruggie, J. (2004). *Reconstituting the Global Public Domain: Issues, Actors and Practices*, Corporate Social Responsibility Initiative Working Paper No. 6. Cambridge, MA: John F. Kennedy School of Government, Harvard University.
- Scherer, A., Palazzo, G. and Baumann, D. (2006). "Global Rules and Private Actors: Toward a New Role of the Transnational Corporation in Global Governance", in *Business Ethics Quarterly*, Volume 16, Issue 4, pp. 505-532
- Steinmann, H. (2007). "Corporate Ethics and Globalization - Global Rules and Private Actors", in Hanekamp, G. (ed) (2007). *Business Ethics of Innovation*, SpringerLink.
- Stern, N. (2006). *The Economics of Climate Change*, HM Treasury.
- Sullivan, J.D. (2006). *Corruption, Economic Development, and Governance: Private Sector Perspectives from Developing Countries*, Global Corporate Governance Forum Private Sector Opinion Issue 2, Washington: IFC.

- Transparency International-Italy (2005). Newsletter June-December.
- Transparency International (2002). *The Integrity Pact: The Concept, the Model and the Present Applications: A Status Report*.
- UN (1999). *Secretary-General Proposes Global Compact on Human Rights, Labour, Environment, in Address to World Economic Forum in Davos*, Press Release SG/SM/6881.
- UNDP (2003). *Open Up Global Governance to Business and Civil Society*, Providing Global Public Goods, Office of Development Studies, Briefing Note No. 5.
- World Bank (2007a) *Strengthening World Bank Group engagement on governance and anti-corruption*.
- World Bank (2007b). *Little Green Data Book 2007*.
- World Bank Institute (2006). *Business and the Millennium Development Goals*. Business & Development Discussion Papers, Paper No.4.
- World Bank Institute and InWEnt (2006). *The Business Challenge Africa*, Report of the 11<sup>th</sup> International Business Forum.
- World Bank Institute, InWEnt, Instituto Ethos and The Global Compact (2005). *Fighting Poverty: A Business Opportunity*, Report of the 10<sup>th</sup> International Business Forum.
- Zadek, S. and Radovich, S. (2006). *Governing Collaborative Governance: Enhancing Development Outcomes by Improving Partnership Governance and Accountability*, AccountAbility and the Corporate Social Responsibility Initiative, Working Paper No. 23. Cambridge, MA: John F. Kennedy School of Government, Harvard University.
- Zadeck, S. (2006), *The Logic of Collaborative Governance: Corporate Responsibility, Accountability and the Social Contract*, Working Paper#17, Kennedy School of Government, Harvard University
- Zadeck, S. (2005), "The logic of collaborative Governance", Working Paper#3, *The Corporate Social Responsibility Initiative*, Kennedy School of Government, Harvard University

## Annex 1: Extracts from the G8 2007 Statement - Growth and Responsibility<sup>176</sup>

### Investment Environment (Addressed in the 11<sup>th</sup> IBF)

We will work together to strengthen open and transparent investment regimes...We reaffirm that freedom of investment is a crucial pillar of economic growth, prosperity and employment. We call on all developed countries, major emerging economies and others to critically assess their investment policies, the potential costs incurred from unnecessarily restrictive or arbitrary policies and the economic benefits of open investment regimes.<sup>177</sup>

We remain committed to minimize any national restrictions on foreign investment... Emerging economies benefit considerably from inward FDI while acting increasingly as countries of origin of FDI. We see the need and the opportunity to work towards a level playing field for all investors. We call on the emerging economies to adopt the OECD Declaration on International Investment and Multinational Enterprises.<sup>178</sup>

We support the OECD Policy Framework for Investment and UNCTAD Investment Policy Reviews as valuable mechanisms in defining a shared understanding of healthy investment climates in emerging economies and developing countries...We invite UNCTAD and the OECD to jointly engage industrialized countries, emerging economies and developing countries in the development of best practices for creating an institutional environment conducive to increased foreign investment and sustainable development.<sup>179</sup>

### Corporate Social Responsibility (Addressed in the 11<sup>th</sup> and 12<sup>th</sup> IBF)

Strengthening the principles of Corporate Social Responsibility: We commit ourselves to promote actively internationally agreed corporate social responsibility and labour standards (such as the OECD Guidelines for Multinational Enterprises and the ILO Tripartite Declaration), high environmental standards and better governance through OECD Guidelines' National Contact Points.<sup>180</sup>

While stressing that labour standards should not be used for protectionist purposes, we invite the WTO members and interested international organizations, in close collaboration with the ILO, to promote the observance of internationally recognized core labour standards as reflected in the ILO declaration on Fundamental Principles and Rights and its follow-up.<sup>181</sup>

We call on private corporations and business organizations to adhere to the principles in the OECD Guidelines for Multinational Enterprises. We encourage the emerging economies as well as developing countries to associate themselves with the values and standards contained in these guidelines and we will invite major emerging economies to a High Level Dialogue on corporate social responsibility issues using the OECD as a platform. We stress in particular the UN Global Compact as an important CSR initiative; we invite corporations from the G8 countries, emerging nations and developing countries to participate actively in the Global Compact and to support the worldwide dissemination of this initiative.<sup>182</sup>

## Annex 1: Extracts from the G8 2007 Statement - Growth and Responsibility

In order to strengthen the voluntary approach of CSR, we encourage the improvement of the transparency of private companies' performances with respect to CSR, and clarification of the numerous standards and principles issued in this area by many different public and private actors. We invite the companies listed on our Stock Markets to assess, in their annual reports, the way they comply with CSR standards and principles. We ask the OECD, in cooperation with the Global Compact and the ILO, to compile the most relevant CSR standards in order to give more visibility and more clarity to the various standards and principles.<sup>183</sup>

While corporate governance challenges are present everywhere, they are particularly acute in emerging economies. We encourage the widest adherence to the OECD Corporate Governance Principles and support the continuation of the work of the OECD / World Bank Regional Corporate Governance Roundtables.<sup>184</sup>

We will initiate a new form of a topic-driven Dialogue [with Brazil, China, India, Mexico and South Africa] in a structured manner based on this new partnership. We agreed to address [as one of four issues]: Enhancing freedom of investment through an open investment environment including strengthening corporate social responsibility principles.<sup>185</sup>

### Climate Change (Addressed in the 12<sup>th</sup> IBF)

As climate change is a global problem, the response to it needs to be international. We welcome the wide range of existing activities both in industrialised and developing countries. We share a long-term vision and agree on the need for frameworks that will accelerate action over the next decade. Complementary national, regional and global policy frameworks that co-ordinate rather than compete with each other will strengthen the effectiveness of the measures. Such frameworks must address not only climate change but also energy security, economic growth, and sustainable development objectives in an integrated approach. They will provide important orientation for the necessary future investment decisions.<sup>186</sup>

We acknowledge that the UN climate process is the appropriate forum for negotiating future global action on climate change. We are committed to moving forward in that forum and call on all parties to actively and constructively participate in the UN Climate Change Conference in Indonesia in December 2007 with a view to achieving a comprehensive post 2012-agreement (post Kyoto-agreement) that should include all major emitters...To address the urgent challenge of climate change, it is vital that major economies that use the most energy and generate the majority of greenhouse gas emissions agree on a detailed contribution for a new global framework by the end of 2008 which would contribute to a global agreement under the UNFCCC by 2009.<sup>187</sup>

Private sector investment is and will remain the primary means of technology deployment and diffusion. Strong economies and a wide range of policy instruments are required to develop, deploy and foster climate-friendly technologies. Market mechanisms, such as emissions-trading within and between countries, tax incentives, performance-based regulation, fees or taxes, and consumer labelling can provide pricing signals and have the potential to deliver economic incentives to the private sector.<sup>188</sup>

## Corruption (Addressed in the 12<sup>th</sup> IBF)

We will intensify common efforts to effectively combat corruption worldwide. This includes:<sup>189</sup>



- Supporting the ratification of the UN Convention against Corruption (UNCAC) by all countries;
- Coordinating closely to promote effective implementation of the UNCAC, particularly related to developing effective review mechanisms, strengthening international measures on asset recovery, and encouraging provision of technical assistance;
- Supporting the work of the United Nations Office of Drugs and Crime (UNODC), Interpol, the OECD and other international bodies to coordinate the implementation of UNCAC;
- Ensuring that developing countries can access and develop technical expertise to help them recover illicitly-obtained assets;
- Reaffirming a shared commitment to effective monitoring through the implementation of a continuous, rigorous and permanent peer review mechanism under the OECD Anti Bribery Convention, and strategic advancement of the Convention through continued engagement with non-party emerging economies;
- Supporting International Financial Institutions' efforts to combat corruption, including the implementation of the World Bank's Governance and Anti-Corruption Strategy to increase assistance to countries to strengthen governance and reduce corruption;
- Denying safe havens through our national laws to individuals found guilty of corruption and the return of illicitly-acquired assets with high priority and developing additional measures to prevent such individuals from gaining access to the fruits of their criminal activities in our financial systems;
- Urging all financial centres to implement the highest international standards of transparency, exchange of information and the fight against money laundering;
- Supporting the efforts of the private sector in combating and preventing corruption, including through promoting greater accountability and transparency of payments in key sectors;
- Providing assistance to countries that show willingness and ability to use funds effectively;
- Welcoming the entry into force of the AU Convention on preventing and combating corruption and encouraging all AU Countries to ratify and implement it.

>>

We emphasise our determination to fight corruption and mismanagement of public resources in both revenue raising and expenditures. As part of our ongoing efforts to foster transparency with regard to resource-induced payment flows, we will continue to support good governance and anti-corruption initiatives, such as the Extractive Industry Transparency Initiative (EITI), and we:<sup>190</sup>

- commit to provide continuous assistance to strengthen EITI, as appropriate through financial, technical and political means. Equally, we invite all stakeholders to provide support for the implementation of the EITI,
- call on implementing countries and companies participating in EITI to implement the Initiative and comply with their disclosure commitments. Equally, we encourage further countries to participate in EITI as appropriate,
- welcome the fact that an independent validation-process has been initiated to monitor the national implementation measures. We encourage prompt application and further development of the validation methodology,
- welcome the fact that a number of large banks have already signed the United Nations Environmental Program (UNEP) Finance Initiative and the Equator Principles. We call on further major banks to follow suit to adopt the Equator Principles for project finance and implement the International Finance Corporation (IFC) standards, particularly those standards that relate to transparent payments and contracts in the extractive sector, and finally
- initiate, within the framework of the 2007 global conference on transparency, a dialogue with the major emerging economies to enlist the governments and especially the state-owned companies domiciled in these countries as participants in EITI.

## Annex 2: Business Advocacy in Support of the MDGs - Extracts from Nelson and Prescott (2003)

| MDG   | Focus of Business Advocacy   |  |
|---|--|--|
| <p>GOAL 1:<br/>ERADICATE EXTREME<br/>POVERTY and HUNGER</p>                         | <p>Support public policy efforts to build the domestic private sector and attract foreign investment - Can large companies work collectively to help create a more suitable enabling environment for business? For example, through building effective business associations and support structures, lobbying government and/or helping to build public capacity for necessary regulatory and financial reforms - such as providing the poor with access to property rights or increasing access for small farmers to markets.</p> | <ul style="list-style-type: none"> <li>■ The International Chamber of Commerce has worked with UNCTAD to increase foreign direct investment to some of the poorest countries.</li> <li>■ Financial services, legal and accounting firms can help to build institutional structures and promote good standards of corporate governance.</li> </ul>  |
|    | <p>Advocate for fairer access to OECD markets - Can Western companies lobby their governments to address the issues of agricultural and other subsidies that result in unfair market access?</p>   | <ul style="list-style-type: none"> <li>■ The World Economic Forum brought together major agribusiness companies, NGOs and UN agencies on a task force to advocate for agricultural trade reform.</li> </ul>  |
| <p>GOAL 2:<br/>ACHIEVE UNIVERSAL<br/>PRIMARY EDUCATION</p>                          | <p>Advocate for education access, quality and reform - Business associations, such as Chambers of Commerce and Organisations of Employers, as well as individual business leaders, can be important advocates for increased public spending on education at the national level and internationally.</p>  | <ul style="list-style-type: none"> <li>■ Both the Brazilian and South African examples outlined above are also active in the debate on education policy in their respective countries and offer valuable models for other countries to explore.</li> <li>■ NETAID was established by UNDP in partnership with Cisco Systems and others to raise awareness and mobilise resources to tackle development issues. It has been particularly effective in education and children's issues, through initiatives such as its 'Say Yes to Children' campaign and its 'Global Schoolhouse' initiative.</li> </ul> |
|  |  |  |

## Annex 2: Business Advocacy in Support of the MDGs - Extracts from Nelson and Prescott (2003)

| MDG  | Focus of Business Advocacy   |   |
|--|--|---|
| GOAL 3:<br>PROMOTE GENDER<br>EQUALITY AND<br>EMPOWER WOMEN | <p>Raise public awareness of women's issues and promote women's voices - this is another area where certain companies and industry sectors can play a role, with the aim of changing government policies and stimulating shifts in public attitudes. The media has an especially important role, but most companies that undertake advertising and other public communications activities can support efforts to ensure that women's voices and/or women's issues receive more of a public profile.</p> <p>Advocate for equal access to education and economic assets - Business associations can call for regulatory, legal and institutional reforms to give women the right to ownership and equal access to education and economic assets.</p> | <ul style="list-style-type: none"> <li>■ UNIFEM's Digital Diaspora Initiative in Uganda works with African IT executives who are successfully running IT companies abroad, as well as UN and government representatives, civil society organisations to support African women in the use of information technologies through an inclusive approach to IT-related training, employment, entrepreneurship and market access.</li> </ul> |
| GOAL 4:<br>REDUCE CHILD<br>MORTALITY                       | <p>Advocate governments to support the Rights of the Child and to support children's issues</p>  | <ul style="list-style-type: none"> <li>■ Global Movement for Children - Initiated by UNICEF, this programme aims to mobilize civil society, non-governmental organisations, business and other partners to support the global agenda for children.</li> </ul>   |
| GOAL 5:<br>IMPROVE<br>MATERNAL HEALTH                      | <p>Encourage good public policy and public awareness on women's health issues</p>  | <ul style="list-style-type: none"> <li>■ In addition to the social marketing and media campaigns outlined above, employers organisations, large individual employers of women, pharmaceutical companies and their trade associations can also raise the importance of women's occupational health and reproductive health issues in relevant public policy forums.</li> </ul>   |

## MDG

## Focus of Business Advocacy

GOAL 6:  
COMBAT HIV / AIDS,  
MALARIA AND  
OTHER DISEASES




Establish national business coalitions - to advocate for healthcare reform and business engagement in HIV/AIDS issues.

- At a country level The Thai Business Coalition for HIV / AIDS has worked with UNICEF and the government to encourage workplace action. Other business coalitions dedicated to tackling HIV / AIDS have been established in countries such as South Africa, Brazil and Zambia. In other countries, existing business associations or employers' organisations have taken a lead role, for example the Confederation of Indian Industries in India. The International Organisation of Employers (IOE) is working with its national affiliates to play a major role in advocating for and supporting greater workplace action and public policy support on HIV / AIDS. The Global Business Coalition on HIV / AIDS is also supporting policy dialogue and advocacy at national and international levels.

Participate in global public policy networks - focused on increasing awareness and investment in these health issues.

- The Roll Back Malaria and Stop TB Partnership are both global, multi-stakeholder movements, each composed of over 70 partners and aimed at influencing health policy frameworks, R&D and delivery mechanisms.

## Annex 2: Business Advocacy in Support of the MDGs - Extracts from Nelson and Prescott (2003)

| MDG   | Focus of Business Advocacy   |  |
|---|--|--|
| GOAL 7:<br>ENSURE<br>ENVIRONMENTAL<br>SUSTAINABILITY                              | <p>Negotiate international rules and develop voluntary standards - Cooperation can help to build appropriate policy frameworks and new institutional structures to address environmental issues on a sector, thematic or geography specific basis. The policy and institutional structures developed may be regulatory frameworks, co-regulation mechanisms or voluntary codes and standards</p> | <ul style="list-style-type: none"> <li>■ The Global Reporting Initiative - this is one of many examples where companies have worked with UNEP, CERES and other NGOs to develop a voluntary framework for sustainability reporting.</li> </ul>  |
|  | <p>Change market frameworks - develop new economic instruments such as environmental taxes, charges and refund schemes, or market-based mechanisms, such as tradable permit systems and eco-labelling.</p>   | <ul style="list-style-type: none"> <li>■ There are now hundreds of examples where governments and business associations have undertaken joint initiatives to change market dynamics, with the aim of improving environmental stewardship. Organisations such as the World Business Council for Sustainable Development (WBCSD), Global Environmental Management Initiative (GEMI), World Resources Institute (WRI), World Environment Centre (WEC), International Institute for Sustainable Development (IISD), and Conservation International, as well as trade associations, UNEP, the UN Commission on Sustainable Development and national environmental ministries have excellent databases of examples.</li> </ul> |

## MDG

## Focus of Business Advocacy

GOAL 8:  
DEVELOP A GLOBAL  
PARTNERSHIP FOR  
DEVELOPMENT



*TARGET 12: International trading and financial System:*

Help build the 'soft infrastructure' for global commerce

*TARGETS 13, 14 AND 15: Least-developed, landlocked and small island developing countries, and debt relief:*

Advocate OECD governments for increased market access, official development assistance and debt relief

- Many companies and industry associations work with specialised UN agencies in setting international economic norms and standards - building the 'soft infrastructure' for global commerce. This ranges from work on intellectual property rights and corporate governance, to developing common standards for cross-border transactions, transportation, and telecommunications. It also involves joint efforts to tackle bribery, corruption and money laundering.
- One area where the private sector is currently playing little or no role, is in advocating for a more fair and equitable international economy. Many NGOs and developing country governments would argue, that if anything, major companies and their trade associations are lobbying against such a global economy rather than for it. This has sometimes been the case, especially in the area of trade. There are, however, some recent examples of companies joining with NGOs and UN agencies to advocate for reform of OECD agricultural policies and improved market access, for the least-developed countries. Some companies have also supported civil society debt relief campaigns, such as the Jubilee 2000 Campaign.

*TARGET 17: Access to affordable drugs*

Building a better policy environment - This can include companies and business groups advocating for public health reforms in certain countries, supporting an enabling environment for public-private R&D, and negotiating international trade regimes that improve access to the poorest countries, without destroying the basis on patents and market mechanisms that provide funds for long-term investment.

*TARGET 18: Access to technology, especially information and communications technology (ICT)*

Advocating for and supporting better public policy on ICT issues to improve access, participation and governance

- The World Economic Forum has established a Global Health Initiative with the support of a range of companies including Accenture, Ford, Volkswagen and Unilever and other organisations such as the UN Foundation, to fight against HIV/AIDS, TB and malaria.

- The UN's ICT Task Force - this includes representatives from Member States, the private sector, the non-profit sector, including academia and NGOs, and United Nations bodies. It is the first instance of a body created by a UN intergovernmental decision in which Member States, the private sector and other stakeholders will participate as equal partners in a major effort to influence the enabling environment and policy frameworks needed to harness information and communication technology for development.

Digital Opportunity Task Force - DOT Force was established by the G-8 governments in 2000, as an international partnership including companies, NGOs and the public sector. It has created a wide range of policy proposals and projects in areas such as national e-strategies, access and connectivity, human capacity building, entrepreneurship, and local content.

## Endnotes

- 1) [http://www.un.org/apps/news/infocus/speeches/search\\_full.asp?statID=97](http://www.un.org/apps/news/infocus/speeches/search_full.asp?statID=97)
- 2) <http://www.un.org/millenniumgoals/>
- 3) World Bank Institute & InWEnt (2006).
- 4) G8 (2007).
- 5) Hohnen (2007).
- 6) <http://www.globalcompact.org/ParticipantsAndStakeholders/index.html>
- 7) <http://www.unglobalcompact.org/AboutTheGC/index.html>
- 8) Cited in Nelson & Prescott (2003).
- 9) Scherer, et al (2006).
- 10) Scherer, et al (2006: 520).
- 11) UNDP (2003); Scherer, et al (2006).
- 12) Ruggie (2004)
- 13) Ruggie (2004: 6)
- 14) Ruggie (2004: 2)
- 15) Zadek & Radovich (2006).
- 16) UN (2003).
- 17) Ruggie (2004)
- 18) <http://www.equator-principles.com/principles.shtml>
- 19) <http://www.unglobalcompact.org>
- 20) [http://www.oecd.org/department/0,3355,en\\_2649\\_34889\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/department/0,3355,en_2649_34889_1_1_1_1_1,00.html)
- 21) [http://www.oecd.org/document/21/0,3343,en\\_2649\\_34859\\_2017813\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/21/0,3343,en_2649_34859_2017813_1_1_1_1,00.html)
- 22) [http://www.unodc.org/unodc/crime\\_convention\\_corruption.html](http://www.unodc.org/unodc/crime_convention_corruption.html)
- 23) <http://www.ilo.org/public/english/employment/multi/tripartite/index.htm>
- 24) <http://www.voluntaryprinciples.org>
- 25) <http://www.globalreporting.org>
- 26) <http://isotc.iso.org/livelink/livelink/fetch/2000/2122/830949/3934883/3935096/home.html>
- 27) [http://www.oecd.org/document/49/0,3343,en\\_2649\\_34813\\_31530865\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/49/0,3343,en_2649_34813_31530865_1_1_1_1,00.html)
- 28) [http://www.oecd.org/document/53/0,3343,en\\_2649\\_34889\\_1933109\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/53/0,3343,en_2649_34889_1933109_1_1_1_1,00.html)
- 29) <http://www.eitransparency.org>
- 30) <http://www.kimberleyprocess.com>
- 31) <http://www.unepfi.org> and <http://unpri.org>
- 32) <http://www.theglobalfund.org/en>
- 33) <http://www.businessfightsaids.org>
- 34) <http://www.msc.org>
- 35) <http://www.fscus.org>
- 36) <http://www.equator-principles.com/faq.shtml>
- 37) <http://www.hokoyo.org>
- 38) For example, World Bank (2006), Commission for Africa (2005) and DFID (2007)
- 39) World Bank, 2007a: 7
- 40) Alan Boeckmann, CEO of Fluor Corporation in Global Compact (2006b: 156)
- 41) [http://www.oecd.org/about/0,3347,en\\_2649\\_34859\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/about/0,3347,en_2649_34859_1_1_1_1_1,00.html)
- 42) [http://www.unodc.org/unodc/crime\\_signatures\\_corruption.html](http://www.unodc.org/unodc/crime_signatures_corruption.html)
- 43) For more information, see <http://www.weforum.org/en/initiatives/paci/index.htm>
- 44) WEF "Partnering Against Corruption Principles for Countering Bribery, Accessed via [http://www.weforum.org/pdf/paci/PACI\\_PrinciplesWithoutSupportStatement\\_190707.pdf](http://www.weforum.org/pdf/paci/PACI_PrinciplesWithoutSupportStatement_190707.pdf)
- 45) [http://www.icmm.com/icmm\\_principles.php](http://www.icmm.com/icmm_principles.php)
- 46) <http://www1.fidic.org/about/ethics.asp>
- 47) [http://www.ftse.com/Indices/FTSE4Good\\_Index\\_Series/index.jsp](http://www.ftse.com/Indices/FTSE4Good_Index_Series/index.jsp)
- 48) <http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/principle10.html>
- 49) <http://www.eitransparency.org/>
- 50) For more information, see [www.eitransparency.org](http://www.eitransparency.org)

## Endnotes

- 51) DFID "DFID and the G8 - G8: Two years on; Tackling Corruption and Promoting Good Governance" accessed via <http://www.dfid.gov.uk/g8/corruption.asp>
- 52) See, for example, Nigeria Extractive Industries transparency Initiative web site at [www.neiti.org](http://www.neiti.org), or the annual reports and quarterly statements from Azerbaijan at [http://www.oilfund.az/index\\_en.php?n=10012](http://www.oilfund.az/index_en.php?n=10012)
- 53) Sullivan (2006), CIPE (2004).
- 54) Ibid.
- 55) CIPE (2004).
- 56) <http://www.investmentclimatefacility.org/>
- 57) <http://www.businessactionforafrica.org/documents/BusinessActionAgainstCorruption.pdf>; <http://www.hokoyo.org>
- 58) Ibid.
- 59) APPG (2006).
- 60) [http://www.oecd.org/about/0,3347,en\\_2649\\_34859\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/about/0,3347,en_2649_34859_1_1_1_1_1,00.html)
- 61) [http://www.unodc.org/unodc/crime\\_signatures\\_corruption.html](http://www.unodc.org/unodc/crime_signatures_corruption.html)
- 62) [http://www.oecd.org/department/0,3355,en\\_2649\\_34889\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/department/0,3355,en_2649_34889_1_1_1_1_1,00.html)
- 63) <http://www.oas.org/documents/eng/publications.asp>
- 64) <http://europa.eu/scadplus/leg/en/lvb/l33027.htm>
- 65) <http://conventions.coe.int/Treaty/en/Treaties/Html/174.htm>
- 66) [http://www.africa-union.org/Official\\_documents/Treaties\\_%20Conventions\\_%20Protocols/Convention\\_%20on%20Combating%20Corruption.pdf](http://www.africa-union.org/Official_documents/Treaties_%20Conventions_%20Protocols/Convention_%20on%20Combating%20Corruption.pdf)
- 67) <http://www.iccwbo.org/policy/anticorruption/id870/index.html>
- 68) Ibid.
- 69) [http://www.transparency.org/global\\_priorities/private\\_sector/business\\_principles](http://www.transparency.org/global_priorities/private_sector/business_principles)
- 70) [http://www.acisofala.com/pdf%20files/ACIS\\_anti-corruption\\_toolkit.pdf](http://www.acisofala.com/pdf%20files/ACIS_anti-corruption_toolkit.pdf)
- 71) [http://www.theconvention.org/tk\\_index.htm](http://www.theconvention.org/tk_index.htm)
- 72) <http://aiccafrica.org/Newsletter/JuneJuly2005Newsletter.htm>
- 73) <http://www.unodc.org/pdf/brazil/PactoFinal-versaoingles.doc>
- 74) [http://www.iblf.org/activities/Business\\_Standards/Corruption.jsp](http://www.iblf.org/activities/Business_Standards/Corruption.jsp)
- 75) <http://www.cipe.org/programs/corruption/>
- 76) <http://www.ethics.org/resources/ethics-toolkit.asp>
- 77) <http://www.globalcompact.org/ParticipantsAndStakeholders/index.html>
- 78) <http://www.eitransparency.org/>
- 79) DFID (2007).
- 80) [http://www.icmm.com/icmm\\_principles.php](http://www.icmm.com/icmm_principles.php)
- 81) <http://www1.fidic.org/about/ethics.asp>
- 82) <http://www.wolfsberg-principles.com/>
- 83) <http://www.transparency.org/tools/contracting>
- 84) <http://www.businessactionforafrica.org/BusinessActionAgainstCorruption.pdf>
- 85) <http://www.businessactionforafrica.org>
- 86) "Better deal on drugs for the world's poor", DFID press release, 18 April 2007, accessed via <http://www.dfid.gov.uk/News/files/pressreleases/better-drugs-deal.asp>
- 87) "Get what you pay for- UK leads the way building transparency in construction", DFID press release, 20 June 2007, accessed via <http://www.dfid.gov.uk/News/files/pressreleases/construction-transparency.asp>
- 88) [http://www.kimberleyprocess.com/index.php?option=com\\_content&task=blogcategory&id=14&Itemid=26](http://www.kimberleyprocess.com/index.php?option=com_content&task=blogcategory&id=14&Itemid=26)
- 89) <http://www.fscus.org/>
- 90) [http://www.msc.org/html/content\\_462.htm](http://www.msc.org/html/content_462.htm)

- 91) Regional FLEG initiatives have been developed or are in the process of being developed for East Asia and the Pacific; Africa; Europe and north Asia; initial scoping activities for a potential FLEG initiative in Latin America and the Caribbean are also underway. For more information, see World Bank - Forests and Forestry at <http://web.worldbank.org>
- 92) <http://www.us-cap.org>
- 93) <http://www.us-cap.org/USCAPCallForAction.pdf>
- 94) <http://unfccc.int/2860.php>
- 95) <http://www.ipcc.ch>
- 96) Hansen (2007). New Scientist
- 97) <http://www.defra.gov.uk/environment/climatechange/index.htm>
- 98) World Bank (2007b)
- 99) <http://www.defra.gov.uk/environment/climatechange/about/index.htm>
- 100) World Bank (2007b)
- 101) <http://www.passlivelikelihoods.org.uk/plow/default.asp?id=287>
- 102) Official energy statistics from the US Government, Energy Information Administration, International Energy Annual 2004 (may-July 2006), <http://www.eia.doe.gov/oiaf/ieo/emissions.html>
- 103) <http://unfccc.int/cop4/kp/kp.html>
- 104) World Bank (2007b)
- 105) <http://unfccc.int>
- 106) <http://unfccc.int/2860.php>
- 107) <http://unfccc.int/2860.php>
- 108) G8 (2007), paragraphs 52-53.
- 109) Rosenzweig et al (2002)
- 110) Ceres (2006)
- 111) <http://www.us-cap.org/USCAPCallForAction.pdf>
- 112) [http://www.unglobalcompact.org/Issues/Environment/Climate\\_Change/index.html](http://www.unglobalcompact.org/Issues/Environment/Climate_Change/index.html)
- 113) Kambayashi (2007)
- 114) G8 (2007), paragraphs 55.
- 115) Economist (2007)
- 116) Economist (2007:15)
- 117) PPP Project: Hybrid Systems for Rural Electrification in Africa, InWEnt, One World, Energiebau
- 118) <http://ag.arizona.edu/OALS/ALN/aln40/jatropha.html>; <http://www.ecoworld.com/home/articles2.cfm?tid=356>
- 119) Sun and Jatropa: Sustainability persuades the Harvard Jury, Press release [http://www.inwent.org/imperia/md/content/unternehmenskommunikation-intranet/anlagenzupressemeldungen/press\\_release\\_roy\\_family\\_award\\_070425\\_long\\_version.pdf](http://www.inwent.org/imperia/md/content/unternehmenskommunikation-intranet/anlagenzupressemeldungen/press_release_roy_family_award_070425_long_version.pdf)
- 120) Kambayashi (2007)
- 121) Economist (2007)
- 122) <http://www.us-cap.org/>
- 123) Economist (2007)
- 124) Economist (2007)
- 125) [http://www.unglobalcompact.org/Issues/Environment/Climate\\_Change/index.html](http://www.unglobalcompact.org/Issues/Environment/Climate_Change/index.html)
- 126) Ceres (2006)
- 127) <http://www.wbcsd.org>
- 128) <http://www.hydrogenenergy.net/MediaArticle.aspx?m=10&amid=141>
- 129) <http://www.citigroup.com/citigroup/environment/climatechange.htm>
- 130) Blowfield & Googins (2006:1).
- 131) Fitzgerald & Cormack (2007)
- 132) Scherer, et al (2006:515).
- 133) Blowfield & Googins (2006).
- 134) Ruggie (2004)
- 135) Binder, et al (2007).
- 136) Witte, et al (2005). Business Unusual: Facilitating United Nations Reform through Partnerships, UN Global Compact / Global Public Policy Institute.

## Endnotes

- 137) Brew and Moberg (2006).
- 138) Batra et. al (2003).
- 139) CIPE (2004:4-6)
- 140) Stern (2006)
- 141) Stern (2006:ii)
- 142) Berkhout et al (2004)
- 143) Nelson & Prescott (2003)
- 144) Ruggie (2004:30)
- 145) Scherer, et al (2006:515).
- 146) Bannock Consulting (2005).
- 147) Bannock Consulting (2005).
- 148) OECD (2007).
- 149) See for example, Business Action for Africa (2007) The Path to a Prosperous Africa: A Business Perspective, available at [www.businessactionforafrica.org](http://www.businessactionforafrica.org)
- 150) UNDP (2003:2).
- 151) Cited in Steinmann (2007)
- 152) UNDP (2003:2).
- 153) Scherer, et al (2006).
- 154) Kaul, et al (2003:39)
- 155) Kaul, et al (2003:39)
- 156) UNDP (2003: pp.2-3)
- 157) Ruggie (2004:8)
- 158) ActionAid (2006)
- 159) ICC Commission on Corruption (2005: 11)
- 160) Goyger (2003)
- 161) Dhanarajan (2005:529)
- 162) Ruggie (2004:21)
- 163) Hogg et al (2003)
- 164) Jennet (2006:2)
- 165) Ruggie (2004:31)
- 166) See, for example, Unicorn's criticism of the Global Compact at <http://www.againstcorruption.org/BriefingsItem.asp?id=8911>
- 167) Amnesty International (2006)
- 168) Christian Aid (2004)
- 169) Hogg et al (2003)
- 170) CORE and Save the Children CSR report (2007:15)
- 171) Blowfield & Googins (2006:26).
- 172) FitzGerald & Cormack (2007).
- 173) Scherer, et al (2006: 523).
- 174) Edwards and Zadek (2003)
- 175) Scherer, et al (2006:520).
- 176) G8 (2007).
- 177) G8 (2007), paragraph 10.
- 178) G8 (2007), paragraphs 11-12, and 15.
- 179) G8 (2007), paragraphs 19-20.
- 180) G8 (2007), paragraph 24.
- 181) G8 (2007), paragraph 22.
- 182) G8 (2007), paragraphs 24-25.
- 183) G8 (2007), paragraph 26.
- 184) G8 (2007), paragraph 27.
- 185) G8 (2007), paragraph 96.
- 186) G8 (2007), paragraph 50.
- 187) G8 (2007), paragraphs 52-53.
- 188) G8 (2007), paragraphs 55.
- 189) G8 (2007), paragraph 89.
- 190) G8 (2007), paragraph 87.

Imprint

Published by:

InWEnt - Internationale Weiterbildung und Entwicklung gGmbH  
Capacity Building International, Germany  
Friedrich-Ebert-Allee 40  
53113 Bonn, Germany  
Phone +49 228-4460-0  
Fax +49 228-4460-1766  
www.inwent.org

Bonn, September 2007  
Responsible: Jochen Weikert  
Phone +49 228 4460-1528  
Fax +49 228 4460-1480  
jochen.weikert@inwent.org

Authors:

Inspiris Limited  
Amadeus House, Floral Street  
Covent Garden, London WC2E 9DP, UK  
Phone: +44 (0)20 7812 7334  
Fax: +44 (0)20 7812 6495  
www.inspiris.co.uk

Team: Zahid Torres-Rahman, Hester Le Roux, Susanne Turrall and  
Anna Guthrie.

Layout:

Gudrun Näkel-de Noronha

Printed by:

Druckhaus Süd GmbH & Co. KG

September 2007 4.05-0007-2007

The 12<sup>th</sup> International Business Forum is financed by the Federal German Ministry for Economic Cooperation and Development (BMZ).

