



THIRD ITEM ON THE AGENDA

Developments in other organizations

1. This paper, as requested by the officers of the Subcommittee, summarizes developments in a number of international organizations relating directly or indirectly to multinational enterprises and social policy issues. It updates the information submitted to the Subcommittee in March 2002.¹

The United Nations Global Compact

2. During 2002, support for the United Nations Secretary-General's Global Compact increased considerably. By the end of the year, more than 700 companies from around the world had publicly committed themselves to respecting and promoting the Compact's nine principles in the areas of human rights, labour and the environment. In addition, UN member States supported the Compact by giving the UN Secretary-General considerable latitude to experiment with the various engagement mechanisms of the Global Compact; by launching Global Compact events in their home countries; by providing financial assistance; and by facilitating the advancement of corporate citizenship initiatives in support of the Millennium Development Goals. Employers' and workers' organizations, in particular, the International Organisation of Employers (IOE) and the International Confederation of Free Trade Unions (ICFTU), as well as a number of major non-governmental organizations (NGOs), continued to cooperate with the Compact. A high-level delegation of the IOE met with the Secretary-General in April 2002 to express the IOE's support for the Compact. By the end of 2002, more than 90 IOE member organizations had expressed their support for the Compact.
3. To strengthen the governance and integrity of his initiative, the UN Secretary-General established the Global Compact Advisory Council. The Council, which met twice in 2002, is composed of some 20 representatives from business, labour, civil society and academia, all acting in their personal capacity. The Compact's operational activities continued to be guided by an inter-agency committee in which the UN Global Compact Office, the ILO, the Office of the High Commissioner for Human Rights (OHCHR), the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP) participate. The Compact's activities centre around three areas.

¹ GB.283/MNE/2.

Policy dialogues

4. Global Compact Policy Dialogues bring together companies with labour, civil society organizations, UN agencies and other actors to try to develop solutions to pressing problems related to globalization. The first dialogue, which started in 2001, concerned *The role of business in zones of conflict*. It has, among other things, led to the development of a toolkit for companies active, or considering investment, in zones of conflict. In 2002, a second dialogue was launched on *business and sustainable development*. It has led to the design of a corporate performance model and an initiative to promote sustainable investment in least developed countries (LDCs). The latter was formally launched at the World Summit on Sustainable Development in Johannesburg (September 2002) during a meeting chaired by the UN Secretary-General and attended by Heads of State and Government, ministers, UN officials, representatives from labour and NGOs and chief executives. The initiative asks multinational enterprises to identify business opportunities in LDCs that can be developed in partnership with other stakeholders, respect the nine Global Compact principles, are sustainable and help local small and medium-sized businesses grow.

Learning Forum

5. The Global Compact Learning Forum is intended to facilitate the sharing of good practice through a sophisticated electronic database of case studies and examples that translate the Compact's principles into practice. The Learning Forum also organizes annual meetings, the second of which took place in Berlin in December 2002. To aid in both these efforts, the Compact has established a global network of leading academics and other experts who help guide the process and will complement the Learning Forum through research and analysis. In addition, efforts are under way to have business schools use Global Compact case studies as teaching materials for MBA students.

Outreach

6. Advocacy is another important component of the Compact. The Secretary-General himself and other senior UN officials have been actively supporting the Compact at key international events and forums. In addition, in some 30 countries national Global Compact launches have been organized to raise awareness of the Compact and help spur local initiatives in line with the Global Compact principles and philosophy.

United Nations Commission on Human Rights

7. In 2002, the sessional working group on transnational corporations of the Sub-Commission on the Promotion and Protection of Human Rights passed a resolution calling for the draft norms on responsibilities of transnational corporations and other business enterprises with regard to human rights to be circulated to NGOs, international organizations, governments and other interested parties for further comments and to continue work on the draft commentary. The resolution also recommended that the working group continue to explore possible mechanisms for implementing the draft norms.

United Nations Conference on Trade and Development (UNCTAD)

8. The main finding of UNCTAD's "World Investment Report 2002", *Transnational corporations and export competitiveness*, was that in 2001, foreign direct investment (FDI)

inflows declined to \$735 billion, less than half the 2000 figure. Behind this decline was the slowdown in the world economy and a weakening of business confidence, both of which were accentuated by the September 11 events in the United States, and both of which contributed to a sharp reduction of cross-border mergers and acquisitions in industrialized countries. However, developments differed markedly between various parts of the world. The FDI downturn was concentrated in the developed countries (-59 per cent), with only modest declines in flows to developing countries (-14 per cent) and even a small increase in flows to Central and Eastern Europe (2 per cent). There were also significant variations among different continents, with lower levels of inflows to Asia and Latin America but an increase to Africa, even though the latter still remained a marginal recipient of FDI. In light of the current uncertain economic situation and the slow recovery of business confidence, especially in the United States, UNCTAD did not expect a rebound of FDI flows in 2002.

9. On the other hand, despite the decline in FDI flows, the expansion of international production continued, although at a slower pace. The report estimates the number of transnational corporations at about 65,000, with about 850,000 foreign affiliates across the globe. In 2001, foreign affiliates accounted for about 54 million employees and their sales of almost US\$19 trillion were more than twice as high as world exports that year. In 2002, foreign affiliates accounted for one-tenth of world GDP and one-third of world exports. Three forces were pointed out as the major drivers for the expansion of international production: policy liberalization, rapid technological change and increasing competition. The report states in particular that transnational corporations are playing a pervasive role in the exports of developing countries.

United Nations Environment Programme (UNEP)

Nineteenth Annual UNEP Consultative Meeting with Industry Associations

10. The Nineteenth Annual UNEP Consultative Meeting with Industry Associations (October 2002) brought together representatives of industry associations, members of civil society groups and international organizations. Discussions centred on five key issues: (1) outcomes and follow-up of the World Summit for Sustainable Development; (2) how to build on the industry as a partner for sustainable development sector reports prepared for the Summit; (3) a new performance model to integrate the core principles of the Global Compact in company management systems; (4) promoting sustainable consumption and production patterns; and (5) developing partnerships with stakeholders.

UNEP Financial Institutions Initiatives

11. The UNEP Financial Institutions Initiatives' Annual Global Roundtable (March 2002) attracted over 300 key players and global leaders in finance, insurance and sustainability. During the conference, challenges and opportunities for sustainable finance were identified and new partnerships forged, on global and regional level. The Initiative signed a Memorandum of Understanding with the Association for Sustainable and Responsible Investment in Asia (ASRIA) to cooperate in the promotion of environmentally sound business practices and sustainable development across the financial services sector in the region.

United Nations Industrial Development Organization (UNIDO)

12. The UNIDO Business Partnership Programme presented its study: “Corporate social responsibility: Implications for small and medium enterprises in developing countries”, at the World Summit on Sustainable Development. The study reviews the implications of CSR approaches for small and medium-sized enterprises in developing countries and, in particular, for the interface between large multinational enterprises and small and medium-sized enterprises. In his foreword to the study, UNIDO Director-General Carlos Magariños, states “... that it is the task of the UN system to turn CSR from a Northern preoccupation into a truly global agenda; from a potential dividing force into a unifying framework for development ...”. According to the study, the central issue for the future of CSR in developing countries is whether a business case can be made for smaller companies to adopt good CSR practices.

Organization for Economic Cooperation and Development (OECD)

13. During the annual meeting of the National Contact Points (NCPs) for the OECD Guidelines for Multinational Enterprises (June 2002), organized by the OECD Committee on International Investment and Multinational Enterprises, NCPs shared their experiences and discussed ways in which they could work with each other and in partnership with business, trade unions and NGOs to consolidate and enhance the OECD Guidelines’ contribution to promoting appropriate standards of international business conduct. Consultations with the Business Industry Advisory Council (BIAC), the Trade Union Advisory Council (TUAC) and NGOs were also held. The report from the meeting highlights that the visibility and “user recognition” of the OECD Guidelines appear to have been significantly enhanced as many actors referred to or used the Guidelines as a tool to promote appropriate business conduct. However, the report also stresses the need for further action and continued effort in promoting the OECD Guidelines, as they are still not well known in some countries.
14. In conjunction with the NCPs’ annual meeting, the second OECD Roundtable on Corporate Responsibility dealt with the issue of supply chain management. Participants were invited to consider the concrete steps that companies can take to implement the recommendation in Chapter II of the OECD Guidelines that “enterprises should ... encourage where practicable, business partners, including suppliers and subcontractors, to apply principles of corporate conduct compatible with the Guidelines”. Participants expressed a variety of views on the nature and extent of responsibility in the supply chain and on the degree to which companies can be expected to alter their investment decisions and internal management practices in order to respect norms for responsible behaviour. According to some participants, the contribution that the OECD Guidelines can make to improving supply chain practices is linked to the overall effectiveness of the Guidelines and their implementation mechanisms.

European Commission

15. As a follow-up to the Green Paper on “Promoting a European framework for corporate social responsibility” (July 2001), the European Commission issued in July 2002 a Communication entitled “Corporate social responsibility: A business contribution to sustainable development”. The document outlines the Commission’s strategy to promote CSR and invites enterprises and their stakeholders as well as social partners in candidate accession countries to join the initiative. The Communication is addressed to the European

institutions, member States, social partners as well as business and consumer associations, individual enterprises and other concerned parties. It takes as a premise that CSR can only be further developed and implemented through joint efforts. The first chapter briefly summarizes the outcome of the consultation process on the Green Paper. The second chapter develops the European strategy to promote CSR. It includes a definition of the concept of CSR, its place in the sustainable development context and its impact on business and society. Chapters three to six describe related proposed actions. Among these is the creation of a multi-stakeholder forum with the aim to promote CSR by raising the level of understanding of CSR and fostering a dialogue between the business community, trade unions, civil society organizations and other stakeholders.

- 16.** The multi-stakeholder forum met for the first time in October 2002 and is now the centrepiece of the Commission strategy for promoting CSR. It is chaired by the Commission and brings together representative organizations of employers, business networks, trade unions and NGOs to promote innovation, convergence and transparency in existing CSR practices and tools. The ILO participates as an observer in the forum, which has a two-level structure: high-level meetings and thematic round tables. Two plenary meetings at political level are held each year to agree on broad guidelines, rules of procedures and a work programme, and assess progress. At the second high-level meeting in December 2002, the Commission presented the draft work programme for the forum. The participants endorsed an indicative list of sub-themes to be addressed by the round tables: improving knowledge about CSR and facilitating the exchange of experience and good practice; fostering CSR among SMEs; diversity, convergence and transparency of CSR practices and tools; and development aspects of CSR. Further high-level meetings will take place in 2003 and 2004 and findings and conclusions are to be presented to the Commission by mid-2004. The round tables will exchange good practices and assess the appropriateness of establishing common guiding principles for CSR practices and instruments. Participation from developing countries will also be ensured.
- 17.** The European Commission is further supporting a series of 15 national conferences organized in the framework of the *European Business Campaign on Corporate Social Responsibility*.² Launched in November 2000 by a group of international business organizations and led by CSR Europe, this campaign has set itself the goal of making the benefits of CSR visible to the wider business world by reaching out to more than 500,000 business people over a four-year period. It will culminate in the first ever Business Olympics on CSR in 2004. The Campaign has also launched a range of concrete tools and activities to spread CSR to a broader audience: the European Academy of Business in Society, the SME Key (a toolkit for SMEs interested in evaluating and strengthening their social responsibility) and the SRI Compass (an online reference guide to all 285 green and ethical funds in Europe). The first Annual Excellence Report on CSR achievements in Europe was published in November 2002.

² For more information on the *European Business Campaign on Corporate Social Responsibility*, visit <http://www.csrcampaign.org/>.

World Bank

Global Corporate Governance Forum

18. As reported previously,³ the World Bank and OECD convened the Global Corporate Governance Forum to provide assistance to developing and transition economies. In 2002, a number of regional Corporate Governance Roundtables was organized by the Forum.⁴ The Russian Roundtable issued a White Paper on Corporate Governance at its fifth meeting (April 2002). The paper contains a formulation of common policy objectives and concrete reform proposals, as well as a commitment from the coalition of Russian and international experts to continue to use the Roundtable as a platform for monitoring progress in the Russian Federation and to support policy-design, implementation and enforcement of the recommendations in the White Paper. A dedicated web site on corporate governance in the Russian Federation was set up to provide a central electronic venue for information dissemination.

The International Financial Corporation

19. The World Bank Group's International Finance Corporation (IFC) launched a Corporate Citizenship Facility (CCF) to help further develop and demonstrate the business case for corporate citizenship, and to help IFC clients and the private sector in emerging markets identify corresponding investment opportunities. The CCF is designed to support best practices in emerging markets businesses, disseminate them through business-to-business interactions, and leverage benefits at the sector level. It will implement its objectives through the environmental stewardship programme; the communities, stakeholders and engagement programme; and the employment and employees programme. The issues to be addressed through these programmes are coalescing as core developmental challenges and critical business issues in developing countries.
20. The IFC has developed a framework for measuring the sustainability of private sector investments, which consists in an assessment of the social and environmental practices and impact of companies. The criteria applied for the evaluation of social aspects include health and safety, child labour and the general welfare of the labour force. Among some of the actions companies are asked to take in the context of this framework are: compliance with ILO Conventions, paying "somewhat higher wages than average" and meeting the ILO Code of Practice on HIV/AIDS.⁵

Business Partners for Development (BPD)⁶

21. The World Bank's Business Partners for Development (BPD) initiative published its final report, "Putting partnering to work", an analytical compilation of the lessons learned

³ GB.283/MNE/2 para. 31.

⁴ The Third Latin American Roundtable (April 2002) on "the board of directors, stakeholders and transparency and disclosure"; the third Eurasian Roundtable (April 2002) on "shareholders' rights"; the second South Eastern European Roundtable (May 2002) on "transparency and disclosure"; and a third meeting in November 2002; the fourth Asian Roundtable (November 2002) on "shareholders' rights and equitable treatment of shareholders".

⁵ For more information on the IFC, visit <http://www.ifc.org/>.

⁶ GB.283/MNE/2, paras. 32-34.

across BPD's 30 partnerships, involving more than 120 different organizations in 20 countries. The report demonstrates the potential benefits of partnerships for both communities and business and provides organizations with lessons and tools on how to develop successful partnerships amongst government, business, and civil society. The report also contains recommendations with regard to policy and operational aspects of partnerships for specific audiences (businesses, developing country governments, NGOs, and multilateral and bilateral development agencies). While the overall BPD initiative ended in December 2001, the water and sanitation cluster and the global road safety partnership⁷ have continued their work.

Council of Europe

22. With the support of the Committee on Employment and Social Affairs of the European Parliament and the Ministry for Economic Affairs, Foreign Policy, Foreign Trade and Housing of the Government of the Flemish Community, the Council of Europe organized a forum on the theme *New social responsibility in a globalizing world: The role of the state, the market and civil society* (October 2002) that brought together over 100 participants from some 20 countries. It highlighted the fact that both individual citizens and representatives of governments, trade unions, business, international organizations or civil society are confronted with the question of social responsibility in the face of growing financial insecurity, inequality and poverty.⁸

New Partnership for African Development (NEPAD)

23. The New Partnership for African Development convened an "Executive dialogue on the implementation of investment in infrastructure" (i3 Executive Dialogue), a series of regional conferences intended to facilitate dialogue between important public and private sector actors who are actively involved in the development of African infrastructure projects. The first meeting of this series took place in Johannesburg (November 2002) for the Southern Africa Development Community (SADC)⁹ and another four meetings are planned respectively for the West African Economic and Monetary Union; the Economic Community of West African States; the Common Market for Eastern and Southern Africa and the Maghreb Union. The Dialogue is an engagement by corporate Africa to assist the NEPAD Secretariat to develop the capacity to view the continent through the "entrepreneurial eyes" of chief executive officers of companies active across Africa, and to help NEPAD call upon business as a resource.

Geneva, 30 January 2003.

⁷ See: <http://www.bpd-waterandsanitation.org> and <http://www.grsproadsafety.org/index.htm>

⁸ Council of Europe – DG III – Social Cohesion, *Social Cohesion: Developments* – No. 7/November 2002, pp. 1 and 10. For more information on the forum, please see: http://www.coe.int/T/E/Com-munication_and_Research/Press/events/6.-Other_events/2002-10_Forum_Social_Responsibilities_-_Strasbourg/default.asp.

⁹ See: http://www.avmedia.at/cgi-script/csNews/news_upload/LATEST_20NEWS_2edb.announcement%20release2.pdf and <http://www.gov.za/events/2002/nepad.htm>