



## THIRTEENTH ITEM ON THE AGENDA

**Report of the Subcommittee  
on Multinational Enterprises**

1. The Subcommittee on Multinational Enterprises (MNE Subcommittee) met on 10 November 2006. Ms Niven (Government, United Kingdom) chaired the meeting. Ms Hornung-Draus (Employer, Germany) and Ms Burrow (Worker, Australia) were Vice-Chairpersons.
2. The Chairperson welcomed the Subcommittee members, Mr Salazar-Xirinachs, the Executive Director of the Employment Sector, and other observers.
3. Mr Salazar-Xirinachs introduced Mr Dominique Michel, who would soon be joining the Office to lead the Multinational Enterprises Programme (MULTI). Mr Salazar-Xirinachs thanked Ms Emily Sims for her leadership of the MULTI team during the transition period. He looked forward to working with the Governing Body to develop practical policies and programmes to promote better use of the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration).

**Update on strategic priorities for  
MULTI for 2006–07**

4. The representative of the Director-General (Mr Henriques, Director of the Job Creation and Enterprise Development Department) briefly introduced the Office paper<sup>1</sup> highlighting progress in respect of some key areas of work on knowledge development, promotional activities and technical cooperation which included progress on the development of training materials.
5. The Employer Vice-Chairperson thanked the Office for its excellent work, carried out under difficult conditions owing to personnel constraints. She was encouraged by the progress that had been made on the strategic priorities endorsed by the Governing Body for MULTI, and stated that the MNE Subcommittee was now perceived as efficient and innovative within the Governing Body framework. She requested that future updates follow the format of the paper setting out the priorities.<sup>2</sup> She appreciated the innovative InFocus Forum on Corporate Social Responsibility concerning private systems of social

<sup>1</sup> GB.297/MNE/1(Rev.).

<sup>2</sup> GB.295/MNE/4/1.

auditing, monitoring and certification and the quality of the Office presentation and the organization of the event. The substantive inputs of the invited speakers had been learned and of a particularly high level. She hoped that the format of the InFocus Forum would be repeated, only with more time for discussion.

6. As follow-up to the InFocus Forum, she called on the Office, including the Bureau for Workers' Activities (ACTRAV) and the Bureau for Employers' Activities (ACT/EMP), to prepare a paper together with the Officers for discussion in March 2007. The paper should outline the modalities of a concrete programme to advise companies on the realization of international labour standards and the MNE Declaration. Such a programme might include, among others: research on the impact and value of private monitoring and assessment methods; tools to help countries to strengthen local inspection in respect of labour issues; identification of opportunities for public/private partnerships for inspection and enforcement; collaboration with the International Training Centre of the ILO to develop training materials for auditors and companies on labour standards; advice and guidance on assessment methods that referred to ILO instruments; and identification of other possible services in that regard. She asked the Office to report on the resource implications of the creation of such a programme as it was clear that it would require donor support and might require an adjustment of the strategic priorities that had been identified for the current biennium. Consensus should be the guiding principle in developing those modalities.
7. The Worker Vice-Chairperson joined previous speakers in welcoming Mr Michel, and thanking Ms Sims and the team in MULTI for their delivery on the strategic priorities. She requested that the assessment of good practices also consider the range of rights and responsibilities in the MNE Declaration and reinforce the importance of social dialogue. She was encouraged that the training package was ready for field testing. She welcomed the research under way in the electronics and agribusiness sectors and particularly the close collaboration between MULTI and the Sectoral Activities Programme.
8. She congratulated the Office on the organization of the InFocus Forum, which had been both stimulating and insightful. The quality of the presentations had been of a particularly high standard, and the examples very illustrative. She endorsed the proposal of the Employer Vice-Chairperson and looked forward to the discussion of a strategy paper along the lines suggested by her in March 2007.
9. The representative of the Government of Kenya noted that the entry point of governments in public-private partnerships was not always clear. In order for governments to also benefit from meetings on substantive issues, he requested that the Office extend invitations for such events to the missions in Geneva which had labour attachés.
10. The Chairperson asked that future InFocus Forums start earlier so that the Subcommittee could get the full benefit of the substantive input.

## Updates on corporate social responsibility-related activities

### (a) Within the ILO, including the InFocus Initiative

### (b) on Corporate Social Responsibility, and the International Training Centre

11. The representative of the Director-General briefly presented the paper<sup>3</sup> and highlighted the abundance of new information contributed by the field offices to the inventory of ILO activities related to corporate social responsibility (CSR). The Working Group for the InFocus Initiative (IFI) on CSR included 63 officials, of which 30 were from the field.
12. The Executive Director of the International Training Centre of the ILO in Turin, Mr François Eyraud, said that, in the week prior to the Subcommittee meeting, the Board of the Turin Centre had endorsed the development plan, which included CSR as an area of work and allocated a budget of US\$300,000.
13. The approach adopted by the International Training Centre included:
  - (a) involvement of various departments of the International Training Centre and the Office, which would include MULTI;
  - (b) focus on the MNE Declaration and the guidance provided by the Governing Body, but selecting a limited number of themes that responded to needs expressed by constituents and that were not yet covered; and
  - (c) preparation of generic training modules that ACTRAV, ACT/EMP or other technical departments could subsequently adapt to their specific needs.
14. The Worker Vice-Chairperson expressed concern that activities reported by the ILO field offices seemed to place more emphasis on activities related to the Global Compact than the MNE Declaration. The Office should prepare a report on the composition of Global Compact local networks, outlining the level of participation by ILO constituents.
15. She praised the Better Work Programme, and hoped that such work would continue. MULTI should be involved in the Programme, together with the International Labour Standards Department, given the emphasis of the project on labour standards. Work in the field should include greater worker participation in order to strengthen the shop steward networks and enhance social dialogue at the enterprise level. The Office, in the lead-up to the 30th anniversary event, should support the field with training activities to better promote the MNE Declaration.
16. She wanted clarification about the INDUS Child Labour Project, which did not mention a role for trade unions; and asked for more information on the labelling scheme in Brazil.
17. Lastly, she expressed satisfaction with the International Training Centre's commitment to cooperate with the Office on CSR-related training, and recommended that multinational

<sup>3</sup> GB.297/MNE/2/1.

enterprises (MNEs) should be involved in the pilot training. She stressed that the International Training Centre's training should be based on the MNE Declaration and the strategic priorities defined by the Governing Body.

18. The Employer Vice-Chairperson stated that the coordinating role of MULTI and the information on CSR-related activities presented in the paper was a good first step towards more coherence in the ILO's CSR-related activities; however, there was room for improvement. She suggested that the information provided include the name of the contact person, a web link and reference to where additional materials could be found.
19. She stressed that the Office as a whole should consider the MNE Declaration as the bridge between the Office and multinational companies, and that ILO activities in the field should involve the field representatives of ACT/EMP and ACTRAV right from the beginning. She shared the Workers' concern that there was too much emphasis in ILO field activities on the Global Compact, and not enough focus on the MNE Declaration.
20. The representative of the Government of Argentina, who was not a member of the Subcommittee, asked for the floor in order to clarify that the Ministry of Labour, Employment and Social Protection of Argentina had not been involved in any activities on CSR organized by the ILO Office in Buenos Aires, as stated in the paper.
21. The representative of the Government of the United Kingdom asked whether coordination had improved as a result of the mapping exercise, and how the effectiveness of the various initiatives was being evaluated.
22. The representative of the Director-General agreed that promotional strategies in the field should place more emphasis on the MNE Declaration. That would be taken into account as the promotional strategy for the MNE Declaration was further refined and would include information material and training of field colleagues. He clarified that, due to constraints on the amount of words for Governing Body documents, it was not possible to include a greater level of detail about projects and activities referred to in the paper before the Subcommittee. However, further information, including contact persons and links to relevant ILO web pages, would be made available on the ILO web site, and the appropriate field offices would be requested to provide more details on the issues raised in the discussion.

**(b) Within other organizations**<sup>4</sup>

23. The representative of the Director-General, Mr Lee Swepston, provided information on the collaboration with the International Finance Corporation (IFC) on their performance standards. Mr Swepston explained that discussions were still ongoing with the IFC with regard to practical ways of collaborating in the future on the implementation of the performance standards, and that the International Training Centre of the ILO was also involved. He also described the broader trend of rising interest among development banks and international financial institutions in the integration of international labour standards in their lending operations.
24. The Worker Vice-Chairperson was encouraged by the work of the IFC which could raise the floor for development. She commended the Office's work in that area, as it was squarely within the MNE Declaration. She requested information on progress on the work with the IFC and other development banks. The Office, in consultation with the Officers,

<sup>4</sup> GB.297/MNE/2/2(Rev.).

should consider when it would be most appropriate to have a feedback report on the progress of work in relation to the International Organization for Standardization (ISO) standard on CSR and implementation of the ILO/ISO Memorandum of Understanding.

25. The Employer Vice-Chairperson stated that the IFC was too focused on the export sector, and asked the Office to encourage the IFC to put stronger focus on neglected sectors. She also asked that the Office share information and involve the Employers' group more closely.
26. The Employer Vice-Chairperson expressed concern that the ILO was currently not on the Board of the Global Compact. The Worker Vice-Chairperson agreed and suggested that the international secretariats of the Employers' and Workers' groups, which were represented on the Board, work to change that.
27. The representative of the Director-General shared the concerns expressed that the current Global Compact governance structure did not allow for core agency representation on the Board and expressed appreciation of the offer by both social partners to bring that issue up, as appropriate.

## **Proposals for evaluating the effect given to the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy**

28. The representative of the Director-General summarized the different options presented in the paper.<sup>5</sup> He conveyed a suggestion of the Employers' and Workers' groups to postpone the decision on that until after the 30th anniversary event, when the Subcommittee would have a better sense of how it would like to promote the MNE Declaration in the future. If the survey was postponed, in order to ensure that there were no gaps in the coverage of the survey, the next survey would cover the five-year period 2004–08.
29. The Worker Vice-Chairperson supported postponing the decision as to the method until next November. Among the options listed, she preferred the option of combining the global survey with thematic or sectoral studies which could be integrated into the other work of the Office. Option (e) could be reconstructed to retain the overview but allow for a small number of qualitative cases with the possibility of using the Better Work Programme tools of monitoring. She stressed that it would be important to link the survey results not only to promotional activities, but also to technical cooperation, advice to business and trade unions and research.
30. The Employer Vice-Chairperson stressed that follow-up was important to keep the MNE Declaration alive and pertinent. She agreed that option (e) would be the most substantive, but it was also the most expensive. She wished to defer the decision until November 2007 and suggested setting up a small working group to look at all of the different possibilities in the meantime.
31. The representative of the Government of the Netherlands stressed that the response rate to the survey had been low, the attendance at the subregional symposia had not been satisfactory, and the MNE Declaration seemed to be of little importance in the CSR debate. Therefore, it would be more constructive to focus on how to increase impact, instead of the current focus on measuring effects. She called for an event in cooperation with the social partners which could give a second beginning to the MNE Declaration. Thematic

<sup>5</sup> GB.297/MNE/3.

reporting, country analysis and exchange of best practices could contribute to well-defined measures to achieve a greater impact of the MNE Declaration.

32. The representative of the Government of the Bolivarian Republic of Venezuela supported the first option, with the condition that the survey be improved along the lines mentioned by the Worker Vice-Chairperson. He thought that it was fundamental to have a follow-up mechanism, but it was clear that the existing one was not fulfilling its purpose. He agreed to postpone the decision.
33. The representative of the Government of Canada stated that, despite the considerable efforts made to improve the questionnaire for the eighth survey, her Government had been unable to provide much of the information requested. She could therefore not support the option of continuing the existing survey process. She did not support the two options involving subregional tripartite meetings since the subregional symposia had not been well attended despite the substantial resources invested. She found option (e) interesting but was concerned about its cost implications. The thematic approach would be acceptable provided that the survey questions were designed to elicit information that most member States could provide. Her preferred option would, however, be to direct available resources at other promotional activities. She also agreed with postponing the decision.
34. The representative of the Government of the United Kingdom thanked the Office for the paper and said that he found the table very useful. He agreed that the thematic approach had the potential to obtain the best results; that it was preferable to use the resources for promotional activities; and to postpone the decision.
35. Noting the discussion, the Chairperson confirmed the consensus of the Committee to conduct an evaluation of the effect given to the MNE Declaration in the upcoming biennium, but to postpone the decision on its form until November 2007. A tripartite working group could analyse the different possibilities in the meantime and prepare a proposal for the March 2007 session of the Governing Body. The Subcommittee could then request the Governing Body, in line with its standing orders, to refer any financial implications of the Subcommittee's recommendations based on that proposal to the Programme, Financial and Administrative Committee in the context of its review of the programme and budget for the next biennium.

### **Update on planning for the event to mark the 30th anniversary of the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy**<sup>6</sup>

36. The representative of the Director-General provided an update on follow-up to the discussions held during the March 2006 meeting of the Subcommittee.
37. The Employer Vice-Chairperson proposed that the anniversary comprise a series of events to be held during 2007. The first dimension would be a ceremonial event to be held in November 2007 to which a number of major enterprises could be invited to present their cases. The event would be addressed to policy-makers, business leaders, non-governmental organizations and trade union leaders. The international secretariats of the Employers' and Workers' groups could help mobilize global companies within and outside Europe with a view to bringing the MNE Declaration to a wider audience; and Brussels could be the

<sup>6</sup> GB.297/MNE/4.

venue, given the presence of major media and the political actors of the European Union. The second dimension proposed was a high-level political debate among the Officers of the Subcommittee and government officials. The third dimension, building on the November 2006 InFocus Forum, would be to organize a series of forums on issues related to the MNE Declaration by inviting substantive scholars and practitioners to stimulate discussion; and a series of papers could be published during the year.

38. The Worker Vice-Chairperson endorsed the proposals made by the Employer Vice-Chairperson, in particular the idea of holding a large-scale event with a new set of interested actors to promote the understanding and use of the MNE Declaration. A strong media strategy and a good facilitator would be essential to ensure that the event had a high profile. She requested that an information note be prepared for January 2007, when the Officers planned to meet to discuss the details of the 30th anniversary event.
39. The representative of the Government of the Bolivarian Republic of Venezuela questioned whether the event would seek to include MNEs from developing countries. Furthermore, he asked whether input could be provided towards the publication on good practices, and, if so, when input should reach the Office.
40. The Chairperson suggested that the planning committee review the items to be funded with a view to providing more funding to those who needed financial support, in particular participants from developing countries. Planning should be done by the Officers in January 2007.
41. The representative of the Director-General, Mr Henriques, explained that the 30th anniversary publication would be a practical and action-oriented document which would most certainly include examples of good practices from MNEs from developing countries, and would include examples of government initiatives to promote good practices and adopt policies in line with the MNE Declaration.
42. In response to the question raised by the representative of the Government of the Bolivarian Republic of Venezuela, Ms Sims explained that 150 cases from companies and 50 cases from governments were being collected, and that the latter had been challenging for the Office. Government support in helping to collect good practices cases from governments would be most appreciated. It would be helpful to receive the governments' contributions by December 2006.
43. *The Subcommittee recommends that the Governing Body:*
  - (a) *request the Office to prepare a paper outlining the modalities of a concrete programme to advise companies on the realization of international labour standards and the MNE Declaration. Such a programme might include, among others: research on the impact and value of private monitoring and assessment methods; tools to help countries to strengthen local inspection in respect of labour issues; identification of opportunities for public/private partnerships for inspection and enforcement; collaboration with the International Training Centre of the ILO to develop training materials for auditors and companies on labour standards; advice and guidance on assessment methods that refer to ILO instruments; and identification of other possible services in this regard;*
  - (b) *request the Office to prepare a paper on the composition of the Global Compact local networks, outlining the level of participation by ILO constituents;*

- (c) endorse the recommendation to conduct, in the upcoming biennium, a ninth evaluation of the effect given to the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration) and to postpone the decision on the form of such an evaluation until after the 30th anniversary event;*
- (d) convene a tripartite working group of the Subcommittee, through its Officers, to analyse the different possibilities for the form of the ninth evaluation and prepare a proposal for the March 2007 session of the Governing Body; and*
- (e) endorse the proposals set out by the Subcommittee concerning the arrangements related to the 30th anniversary of the MNE Declaration.*

Geneva, 13 November 2006.

*Point for decision:* Paragraph 43.