



# Improving governance for responsible business

Stakeholder lab on recommendations for policy, civil society and the private sector

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## Outline

- § Responsible business & “systems of governance”:  
Findings from the GLOBAL VALUE project
- § Recommendations developed on basis of the findings

# GLOBAL VALUE

Assessing the impacts of MNCs on  
Global Development and Value Creation



# Responsible business & “systems of governance”

§ Starting point:

Contentious role of Multinational Corporations (MNCs) in promoting sustainable development, SDGs

§ How can governance for responsible business be improved?

§ Assumption:

MNC behaviour is embedded in wider institutional arrangements

à Concept of “systems of governance” for responsible business practices

# Responsible business & “systems of governance”

§ Definition:

“systems of governance” for responsible business practices:

= issue-specific institutional arrangements (outside companies), shaped at different levels (national & int'l) by different stakeholders (multilevel co-governance)

*e.g.: formal & informal norms, host country/ home country policies (including binding legislation), voluntary standards & (CSR) instruments...*

# Responsible business & “systems of governance”

Example: SoGs on “fair trade”

- § **Civil society driven elements:** e.g., fair trade certification schemes
- § **Business driven elements:** e.g., BSCI Code of Conduct
- § **State driven elements:**
  - Int’l level: ILO’s core labour standards; EU’s GSP
  - Host country : e.g., Bangladesh’s Labour Act + Decent Work Country Programme, industrial relation arrangements
  - Home country : e.g., German Partnership for Sustainable Textiles
  - Other countries: e.g., public procurement rules
- § **Multi-stakeholder driven elements** at various levels:  
e.g., “Accord on Fire and building safety in Bangladesh”

# Case Studies carried out on “systems of governance”

Country	Bangladesh			Tanzania					
Industry	Garment manufacturing (RMG)			Tea production			Gold mining		
System of governance (sustainability issue)	Poverty	Labour standards (incl. health & safety)	<u>Environ-ment</u>	<u>Environ-ment</u>	<u>Environ-ment</u>	Labour standards	<u>Environ-ment</u>	Poverty	<u>Corrup-tion</u>

Field trips early 2014 – late 2016:

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## Case Study findings

### **Effectiveness** of analyzed systems of governance:

- § Assessment mostly “low to medium”
- § Effectiveness differs according to different sub-issues
- § Within SoGs, different elements are effective to different degrees → int’l market-based instruments only relevant when products go to sustainability-oriented export markets
- § Impacts of MNCs’ responsible practices on wider society and the environment sometimes more, sometimes less prevalent



# Case Study findings: Enablers of effectiveness

Category	Enabler
Company	<ul style="list-style-type: none"><li>• Perception within the company of business case</li><li>• Strong leadership commitment</li></ul>
Industry, economy	<ul style="list-style-type: none"><li>• Consumer interest – mostly products of end consumption, mostly in export markets</li></ul>
Instrument	<ul style="list-style-type: none"><li>• Int'l management systems, product certification schemes, sectoral multi-stakeholder initiatives</li><li>• Regulation at national level, but mostly weak enforcement</li></ul>
<u>Governance</u> context	<ul style="list-style-type: none"><li>• Public awareness and media coverage</li><li>• Transparency on (potential) impacts of corporate operations</li><li>• CSOs working on relevant industries and sustainability issues</li><li>• Multi-stakeholder initiatives supporting state in enforcement, building capacity in supplier management, establishing dialogue between buyers and suppliers</li><li>• Complementarity between system of governance and development assistance</li></ul>
Societal context	<ul style="list-style-type: none"><li>• Some informal norms (e.g. expectation that MNCs need a 'social licence to operate')</li></ul>
Others	<ul style="list-style-type: none"><li>• Specific events (corruption scandals, catastrophes like Rana Plaza)</li></ul>

# Case Study findings: Barriers to effectiveness

Category	Barrier
Issue	<ul style="list-style-type: none"> <li>• For environmental issues, no widely accepted international framework</li> <li>• Some issues are hidden and corporate impact cannot be directly measured</li> <li>• Addressing some (sub-)issues requires fundamental change in conduct/ business model</li> </ul>
Company	<ul style="list-style-type: none"> <li>• Lack of performance &amp; impact measurement by MNCs</li> <li>• Low level of outreach of MNCs to communities and civil society</li> </ul>
Industry, economy	<ul style="list-style-type: none"> <li>• Complexity of value chains and production networks</li> <li>• Industry structures that enable 'race to the bottom'</li> <li>• Significant size of informal sector</li> </ul>
Instrument	<ul style="list-style-type: none"> <li>• Large international CSR tools and frequently do not 'reach' MNC's local operations</li> </ul>
<u>Governance</u> context	<ul style="list-style-type: none"> <li>• Lack of access to corporate and public information</li> <li>• Lack of impartial evidence on (potential) impacts of corporate operations</li> <li>• Countervailing strategies policies and incentives</li> <li>• Institutional rivalry between responsible agencies</li> <li>• Weak rule of law, weak capacities (&amp; sometimes will?) for enforcement</li> <li>• Centralised power structures, little competences &amp; resources at local levels</li> </ul>
Societal context	<ul style="list-style-type: none"> <li>• Low public awareness of and knowledge on environmental issues</li> <li>• Low consumer demand for sustain. product alternatives – i.a., due to low income</li> <li>• Only few civil society organisations actually act as “watchdogs” vis-à-vis MNCs or regularly work with private sector</li> <li>• Few environmental groups on local level</li> <li>• Countervailing informal norms (e.g., pervasive corruption)</li> </ul>

# Public policy recommendations

## A. Host countries:

1. Enhance policy coherence and & social/ environmental policy integration
2. Support civil society and independent media in building capacities for MNC scrutiny and private sector co-operation
3. Encourage corporate transparency at local level and protect private sector whistleblowers

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## **Public policy recommendations**

### **B. Home countries:**

4. Enhance policy coherence and & social/ environmental policy integration
5. Advance supply chain regulation
6. Support MNCs with regard to sustainable supply chain management

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## **Private sector recommendations**

- 1. Measure and manage impacts on society and the environment**
- 2. Exploit the links between sustainability and corporate competitiveness**
- 3. Strengthen roll-out and implementation of CSR instruments**

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## **Private sector recommendations**

4. Build partnerships with civil society & communities at local level
5. Employ fair practices vis-à-vis suppliers
6. Develop local markets with a focus on sustainability

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## **Civil society recommendations**

1. Develop capacities and strategies on how to act as watchdog or how to engage with MNCs
2. Focus on issues with big relief potentials and key industries
3. Build partnerships with MNCs and communities at local level

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## **Civil society recommendations**

4. Rather than founding a new initiative, participate in and improve existing ones
5. Educate workers and consumers
6. Geographically, branch out to the local levels





**Thank you very much for your attention!**